Common $ense Workshop
– Georgetown University

Presented by...

Radha Venkatesan
Maigualida Ifill

Feb 2019
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Presentation on Tax Filing Requirements

As a courtesy to its students, Georgetown University has asked PricewaterhouseCoopers to present this briefing summarizing individual income tax filing requirements and basic reporting rules.

This briefing contains general information only and does not constitute legal advice.

Georgetown University has not reviewed the materials for accuracy or completeness. Georgetown University does not guarantee the accuracy of the information or its applicability to any particular student’s personal situation. Students should not rely on the information in this briefing but should consult with legal and accounting professionals of their own choosing.
Agenda

What’s new for 2018
US Taxation - Residency Status
Form 1040NR
Form 8843
Identification Numbers
Income/Deductions
Tax Treaties
Publications
What’s new for 2018 – The Tax Cuts and Jobs Act

• Changes for 2018 – 2025
  - Federal tax rates reduced
  - Standard deduction increased
  - Personal and dependent exemptions eliminated
  - State tax deductions limited to $10,000
  - Miscellaneous itemized deductions eliminated (including employee business expenses)
  - So far, tuition and fees deduction not renewed for 2018
  - Child tax credit increased
Importance of Tax Residency

- US Citizens and Residents Taxed on Worldwide Income, May File Jointly, Claim Standard Deduction or Itemized Deductions, and can potentially claim child tax credit (increased to $2,000 per qualifying child for 2018); Generally No Treaty Exemptions Available

- US Nonresident Aliens Taxed Only on US Source Income or Income Effectively Connected With a US Trade or Business, Limited Itemized Deductions; May Claim Treaty Exemptions If Requirements Met
Tax Residency

• U.S. Citizen
  - Subject To Worldwide Taxation Even If Living Outside The U.S.
  - Taxed On Worldwide Income

• Non-U.S. Citizens. Two Tests To Determine If Treated As A U.S. Resident For Tax Purposes
  - “Green Card Test”
    ◦ Subject To Worldwide Taxation Even If Living Outside The U.S. (Unless Treaty Claim Utilized)
    ◦ Treated As U.S. Resident Until Green Card Is Formally Relinquished (Form May Also Be Required if Long-Term Permanent Resident) – Abandonment or Expiration Has No Impact for Tax
Tax Residency

- “Substantial Presence Test “– SPT –”
  ◦ Must Physically Be Present In The U.S. For At Least 31 Days In The Current Year, And
  ◦ For 183 days During The Three Year Period That Includes The Current Year And Two Years Immediately Before That, Counting:
    › All The Days Present In The Calendar Year
    › 1/3 Of The Days Present In The First Year Before The Current Year
    › 1/6 Of The Days Present In The Second Year Before The Current Year
**Tax Residency**

- Days Which Are “Exempt” From The Substantial Presence Test:
  - Students Holding F, J, M and Q Visas
    - Time Maximum: Generally Five Calendar Years (but can go longer if no intention to remain in the US permanently and document on Form 8843)
  - Teacher/Trainees (Non-Student) Holding J or Q Visa
    - Time Requirement: Two Of Last Six Years
    - Must Take Into Consideration If Time Was Spent As A Student
  - Note That Other Visa Classifications Are Not Exempt Even If They Are Considered Students, Trainees Or Teachers
  - **Form 8843 Required To Substantiate Presence as An Exempt Individual-Must Be Filed With 1040NR**
State Tax Residency

- Washington, DC
  - Lived in DC for more than 183 days
- Virginia
  - Lived in VA for more than 183 days
- Maryland
  - Lived in MD for more than 6 months

- Reciprocity agreement – DC, Kentucky, Maryland, Pennsylvania, Virginia, and West Virginia
Social security and Medicare tax

- Students holding F, J, M and Q visas are exempt from social security and Medicare tax, generally for the first five years.

- If social security and/or Medicare tax was improperly withheld, request a refund from employer or file Forms 843 and 8316 with the IRS.
If I’m a US citizen or resident, do I have to file? What do I have to file?

- If single, gross income in excess of $12,000 (under the age of 65), if married filing jointly, income in excess of $20,800 (if no dependents and both spouses under the age of 65)

- Federal Form 1040.
  - Schedule 1 for Student Loan Interest Deduction or other income
  - Schedule 3 for Education Credits
  - Schedule 6 to report a foreign address

- Federal Form 8863 to claim the Lifetime Learning credits

- State forms VA 760, MD 502 or D.C. D-40 (depending on state of residency)
If I’m a nonresident alien, do I have to file? What do I have to file?

- No 1040NR requirement if no US source/effectively connected income; otherwise 1040NR
- Federal Form 8843 required to confirm nonresident alien status of F, J, M and Q visa holders
- Federal Return required in order to claim treaty benefits (Form 8833 may be required)
- If income tax was withheld but no or lower tax is imposed, a return is required in order to request a refund
**Form 1040NR**

**U.S. Nonresident Alien Income Tax Return**

- **Department of the Treasury Internal Revenue Service**
- **For the year January 1–December 31, 2018, or other tax year**

### Filing Status
- 1. Reserved
- 2. Single nonresident alien
- 3. Reserved
- 4. Reserved
- 5. Married nonresident alien
- 6. Qualifying widow(er) (see instructions)

### Income Effectively Connected With U.S. Trade/Business
- 8. Wages, salaries, tips, etc. Attach Form(s) W-2
- 9a. Taxable interest
- 9b. Tax-exempt interest. Do not include on line 9a.
- 10a. Ordinary dividends
- 10b. Qualified dividends (see instructions)
- 11. Taxable refunds, credits, or offsets of state and local income taxes (see instructions)
- 12. Scholarship and fellowship grants. Attach Form(s) 1042-S or required statement (see instructions)
- 13. Business income or (loss). Attach Schedule C or C-EZ (Form 1040)
- 14. Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here.
- 15. Other gains or (losses). Attach Schedule D (Form 1040)
- 16. Reserved
- 17a. IRAs, pensions, and annuities
- 17b. Taxable amount (see instr.)
- 18. Rental real estate, royalties, partnerships, trusts, etc. Attach Schedule E (Form 1040)
- 19. Farm income or (loss). Attach Schedule F (Form 1040)
- 20. Unemployment compensation
- 21. Other income. List type and amount (see instructions)

**Adjusted Gross Income**
- 22. Total income exempt by a treaty from page 5, Schedule OI, Item 1(e)
- 23. Combine the amounts in the far right column for lines 8 through 21. This is your total effectively connected income.

### Tax and Credits
- 24. Educator expenses (see instructions)
- 25. Health savings account deduction. Attach Form 8889
- 26. Moving expenses for members of the Armed Forces. Attach Form 3903
- 27. Deductible part of self-employment tax. Attach Schedule SE (Form 1040)
- 28. Self-employed SEP, SIMPLE, and qualified plans
- 29. Self-employed health insurance deduction (see instructions)
- 30. Penalty on early withdrawal of savings
- 31. Scholarship and fellowship grants excluded
- 32. IRA deduction (see instructions)
- 33. Student loan interest deduction (see instructions)
- 34. Add lines 24 through 33
- 35. Adjusted Gross Income. Subtract line 34 from line 23
- 36. Amount from line 35 (adjusted gross income)
- 37. Itemized deductions from page 3, Schedule A, line 8
- 38. Qualified business income deduction (see instructions)
- 39. Exemptions for estates and trusts only (see instructions)
Form 8843

• Form 8843 - Statement for Exempt Individuals and Individuals With A Medical Condition
  - All students and their spouses and dependents admitted to the US on an F, J, M or Q visa must file
  - Information statement

• Required information:
  - University name, address and telephone number.
  - Type of visa and entry date to the U.S.
  - Country of citizenship
  - Days present in the US

• Attach to Form 1040NR if have taxable income; file by 6/15 if no income to report
# Form 8843

**Statement for Exempt Individuals and Individuals With a Medical Condition**

For use by alien individuals only.

Go to www.irs.gov/Form8843 for the latest information.

For the year January 1—December 31, 2018, or other tax year, beginning , 2018, and ending , 20 .

Your first name and initial

<table>
<thead>
<tr>
<th>Your last name</th>
<th>Your U.S. taxpayer identification number, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fill in your addresses only if you are filing this form by itself and not with your tax return.

## Part I. General Information

1. a Type of U.S. visa (for example, F, J, M, O, etc.) and date you entered the United States
   
2. Of what country or countries were you a citizen during the tax year?

## Part II. Teachers and Trainees

6. For teachers, enter the name, address, and telephone number of the academic institution where you taught in 2018.

7. Enter the type of U.S. visa (J or Q) you held during: 2012, 2013, 2014, 2015, 2016, 2017. If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.

## Part III. Students

9. Enter the name, address, and telephone number of the academic institution you attended during 2018.

10. Enter the type of U.S. visa (F, J, M, or Q) you held during: 2012, 2013, 2014, 2015, 2016, 2017. If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.

12. Were you present in the United States as a teacher, trainee, or student for any part of more than 5 calendar years? Yes No

If you checked the "Yes" box on line 12, you must provide sufficient facts on an attached statement to establish that you do not intend to reside permanently in the United States.

13. During 2018, did you apply for, or take other affirmative steps to apply for, lawful permanent resident status in the United States or have an application pending to change your status to that of a lawful permanent resident of the United States? Yes No

If you checked the "Yes" box on line 13, explain.
**Tax Return Filing**

- Tax returns due April 15, extensions available to 10/15 if filed by 4/15, but payment must be made by 4/15
- Free file available (free tax preparation and e-file options) – if adjusted gross income $66,000 or less; not available for nonresident aliens - go to Office of Global Services website for Glacier Tax Prep
- Various other software programs available, or print off paper forms for filing from IRS and/or state websites
- Glacier Tax Prep – includes nonresident aliens but federal only; states must be completed separately
- Sprintax.com can prepare both 1040NR and state; requires pmt. (can use Glacier for federal and Sprintax for state to reduce cost; Glacier federal can be uploaded to Sprintax)
Identification Numbers- All Taxpayers

• Social Security Number
  - Engaged In a Trade Or Business (Employment)
  - Form SS-5
    ◦ Must Present Proof Of Identity (Passport/Birth Certificate)
    ◦ Work Authorization
  - Individual Taxpayer Identification Number
    ◦ Form W-7
    ◦ Tax Use Only - for Those Ineligible To Receive Social Security Card (generally those ineligible to Work)
    ◦ May be needed for dependents who do not have Social Security Numbers, but only if eligible to claim other dependent credit
    ◦ Can contact OGS for certification letter
Sources Of Income

- Compensation for Services (W-2, 1099 or 1042-s):
  - If Activity Performed Outside The U.S.: Foreign Source
  - If Activity Performed Inside The U.S.: U.S. Source
  - Treaty or foreign employer-paid amounts may qualify for exemption for NRAs

- Taxable Versus Non-Taxable Scholarships and Fellowships – Form 1098-T
  - Degree candidates
  - Tuition, fees, and course-related expenses (only if required by all participants in course)
  - Treaty exemption may apply for NRAs
  - For taxable amounts not reported on Form W-2, enter ‘SCH’ next to taxable amount on return

- Interest/Dividends/Capital Gains (Form 1099 or 1042-s)
  - US vs. foreign payor; ‘tax home’ for capital gains and importance of 183-day threshold for nonresident aliens
  - Treaty and Code exemptions/rate reductions may apply to NRAs
### Form W-2

**Employee’s social security number**: 22222

**For Official Use Only**
OMB No. 1545-0008

<table>
<thead>
<tr>
<th>a) Employee’s social security number</th>
<th>b) Employer identification number (EIN)</th>
<th>c) Employer’s name, address, and ZIP code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Wages, tips, other compensation</td>
<td>2) Federal income tax withheld</td>
<td></td>
</tr>
<tr>
<td>3) Social security wages</td>
<td>4) Social security tax withheld</td>
<td></td>
</tr>
<tr>
<td>5) Medicare wages and tips</td>
<td>6) Medicare tax withheld</td>
<td></td>
</tr>
<tr>
<td>7) Social security tips</td>
<td>8) Allocated tips</td>
<td></td>
</tr>
<tr>
<td>9) Verification code</td>
<td>10) Dependent care benefits</td>
<td></td>
</tr>
<tr>
<td>11) Nonqualified plans</td>
<td>12a) See instructions for box 12</td>
<td></td>
</tr>
<tr>
<td>12b）Statutory employee</td>
<td>12c）Retirement plan</td>
<td></td>
</tr>
<tr>
<td>12d）Third-party sick pay</td>
<td>13）Other</td>
<td></td>
</tr>
<tr>
<td>15) State</td>
<td>16) Employer’s state ID number</td>
<td>17) State income tax</td>
</tr>
<tr>
<td>18) Local wages, tips, etc.</td>
<td>19) Local income tax</td>
<td>20) Locality name</td>
</tr>
</tbody>
</table>

**W-2 Wage and Tax Statement**

**Copy A For Social Security Administration** — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

**Do Not Cut, Fold, or Staple Forms on This Page**
Form 1042-S – Issued by GU in mid-March
Individual Tax Filings—US Citizens and Residents

- The standard deduction is allowed—$12,000 single, $24,000 Married Filing Jointly
- Personal exemptions: No longer available
- Itemized deductions, if exceed standard deduction, include: state and local income taxes withheld/paid, US real property taxes (taxes limited to $10,000); mortgage interest; contributions to U.S. charities; casualty/theft losses and medical expenses (the last 2 subject to significant limitations)
- Deductions available for student loan interest, certain credits also available
**Individual Tax Filings-Nonresident Aliens (NRAs)**

- A NRA’s itemized deductions are generally limited to: state and local taxes withheld; contributions to U.S. charities; casualty/theft losses
- Deduction available for student loan interest (but not tuition & fees)
- US source investment income earned by NRAs is generally taxed at a flat 30% rate; may be lower under treaty (or 0% for bank interest)
- The standard deduction is not allowed (exception: students and business apprentices from India)
Student Loan Interest Deduction (US Citizens, Residents, and NRAs)

- First $2,500 of qualified student loan interest
- Phased out for modified AGI is less than $80k for Single filers and less than $165k if Married Filing Jointly
- Should receive Form 1098-E
- Not available if married filing separately or claimed as an exemption on another’s return
**Tax Treaties (NRAs Only)**

- Most treaties give special treatment to foreign students and scholars
- If exemption applies, claim on page 5 of Form 1040NR; Form 8833 may also be required
- Exemption guidelines published by the IRS in Publication 901, Table 2 (available at www.IRS.gov)
  - Time limitations
  - Maximum dollar amounts
**Tax Treaties**

- Just because an individual is from a treaty country doesn’t mean that a treaty benefit is available
- May need to determine:
  - The individual’s country of residence
  - Whether his or her U.S. residency status qualifies
  - Residence of the payor
  - Whether income paid is covered by the treaty
  - Whether there are any specific qualifications in the articles that apply
    - Time
    - Amount
Publications/Information

• Helpful IRS Publications
  - Publication 17: Your Federal Income Tax
  - Publication 519: U.S. Tax Guide For Aliens
  - Publication 901: U.S. Tax Treaties
  - Publication 970: Tax Benefits for Education

• Internet Addresses:
  - www.irs.gov/forms-instructions
Questions?