

# Tax 101: International Students

**UW Law Federal Low Income Tax Clinic**

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# Agenda

US Taxes

- Brief overview of how they work

Nonresidents

- Students who have been in the US for less than 5 years

Residents

- Students who have been in the US for more than 5 years

Resources

# US Taxes

## What are they?

- “Voluntary” system
- “Tax Brackets”
- Federal
- State
  - None in Washington state
  - Out-of-state jobs/internships?
- Withholdings
  - How they work
  - Social Security
  - Medicare

## What is taxed?

- Income earned in the United States
- Includes:
  - Individual income
  - Payroll
  - Corporate profits
  - Excise
  - Customs duties
  - Estate & gift
- NOTE: US Tax Treaties

## Who pays them?

- US Citizens
- Nonresident aliens (< 5 years in the US)
- Resident aliens (> 5 years in the US)

# US Taxes

## Deductions/Credits

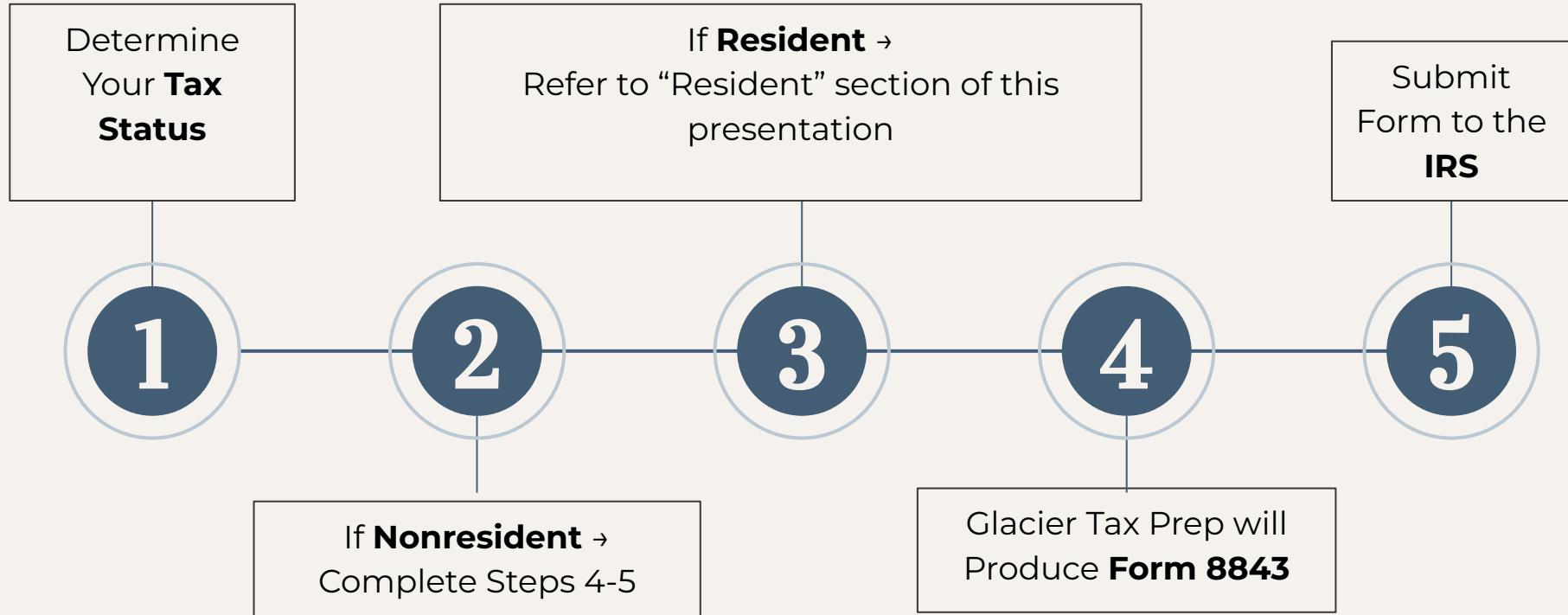
- What's a deduction?
- What's a credit?
- Standard v. itemized deduction

## Evaluation (Audit)

- Abnormalities
- Large amounts of foreign assets
- Large cash deposits
- Claiming credits

# Nonresidents

< 5 Years



# Nonresidents

## Who qualifies?

- In legal terms, non-citizens of the U.S. are called “aliens.”
- There are three types of aliens for tax purposes: (1) nonresident; (2) dual-status; and (3) resident.
  - These categories are for tax purposes only and are **NOT** related to your immigration status.
- Nonresident aliens generally meet the substantial presence test if they have spent more than 183 days in the U.S. within the last three years.

## Who must file?

- Every international student (F and J status) has an obligation to complete a tax form once per year for the first five calendar years that you are in the U.S.
- Glacier Tax Prep, a tax software program, will count how many days you have been in the U.S. and determine if you are a resident or nonresident for tax purposes.

# Nonresidents

## Forms

- Did not receive US-source income
  - **Form 8843**
  - Due: June 15, 2023
- Received wages or taxable scholarships from US sources
  - **Form 8843 AND 1040NR**
  - Due: April 18, 2023

## Exempt Individuals

- Exempt time does not count toward the 183 days in the U.S. that normally will convert a nonresident alien into resident alien for tax purposes.
- F-1 and J-1 students maintaining status are exempt from the substantial presence test for **5 years**.
- J-1 scholars are exempt from the substantial presence test only if they have been in the U.S. **no more than 2 out of the last 6 years**.

# Nonresidents

## How to File: Glacier Tax Prep (GTP)

### What is GTP?

- Free (if you log in through the ISS website)
- Web- based program
- Step-by-step instructions and assistance with the preparation of the appropriate forms

### Who can use it?

- **F-1** and **J-1** non-immigrants

### How to use it:

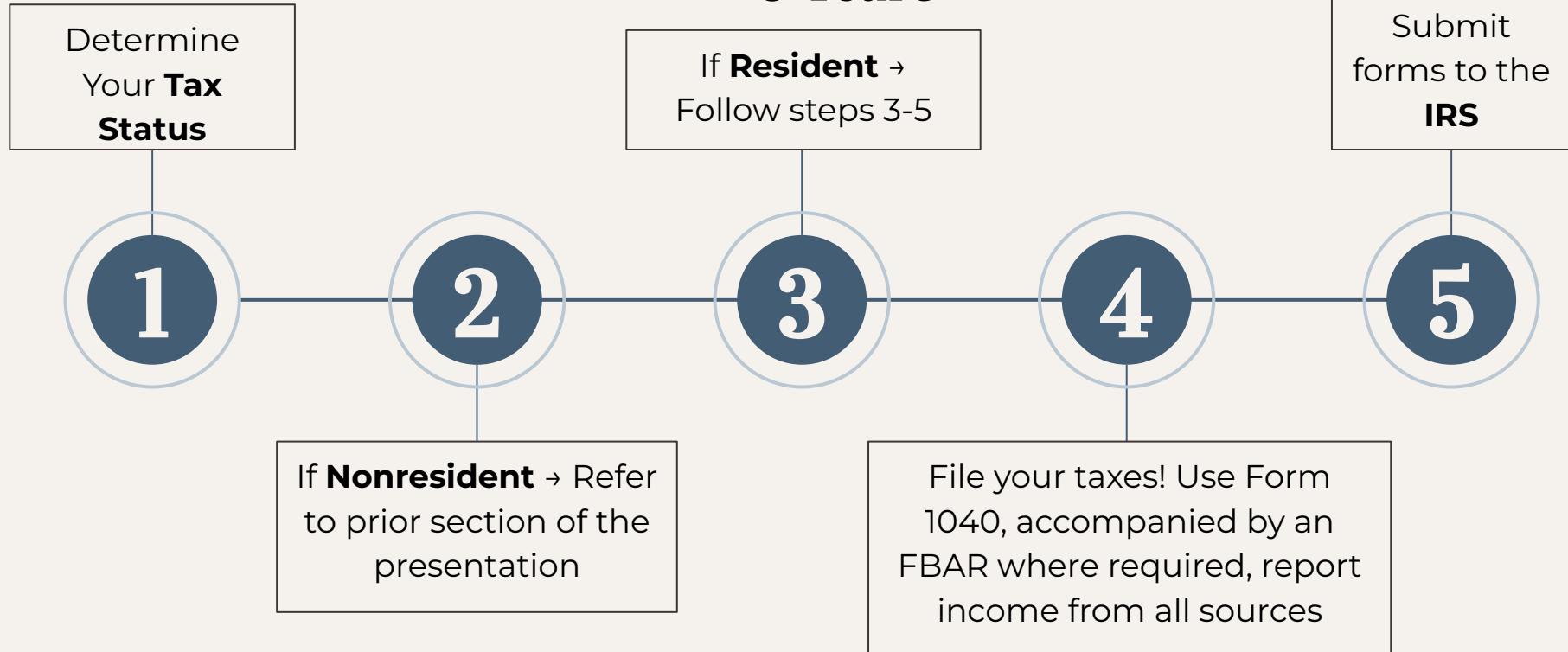
- GTP offers **tutorial videos** on the first page
  - Assist with preparing tax return



**NOTE:** GTP is different from Glacier Tax Compliance

# Residents

> 5 Years



# Residents

## Who qualifies?

- Students on F or J visas who have been in the US for more than 5 years

## Who must file?

- Every international student (F and J status) has an obligation to file every calendar year while they are considered as a resident alien
- Unless you meet the Closer Connection Exception and can continue to be a non-resident alien
  - Very limited circumstances

## Important Note!

- “Resident” applies for tax purposes ONLY - is not related to immigration processes

# Residents

## What must be reported?

- Income from all sources (foreign and domestic)
- Foreign bank accounts and assets
  - If the value exceeds \$10,000 at any point in time
- Any **significant** asset/cash transfers and gifts

## Forms

- **Form 1040:** Used to report income
  - W-2
  - 1099-INT/DIV
  - 1098-T
  - Rental income, etc
- Foreign Bank Account Report (**FBAR**) and **Form 8938**
  - Used to report foreign assets
- **Form 3520**
  - Used to report certain foreign gifts

## Available Credits

- Education credits
  - American Opportunity Credit
  - Lifetime Learning Credit
- Earned Income Credit
- Child Tax Credit
- Dependent Care Credit
- Foreign Tax Credit

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# Resident Alien Tax Status

## Example

W was a citizen and resident of a foreign country immediately prior to entering the United States. W is temporarily present in the United States as a graduate student at a university on an F-1 visa (student visa) and had never been in the United States before arriving on 08-15-2017. Assuming W substantially complies with the requirements of the visa, does not change immigration status, and remains in the United States throughout 2022.

What kind of federal income tax returns will both taxpayers file for 2022?

W will file Form 1040 as a resident alien for 2022.

- Date of entry into United States: 08-15-2017
- Student F-1 visa
- Exempt individual for 5 calendar years (08-15-2017 through 08-15-2021)
- Number of nonexempt days in United States during calendar year 2022: 365 days

# Resources

## ID.me



- IRS-operated website
- Requires proof of identity process to make an account
  - Easier to access IRS information later
- Identity verification
  - Documents needed to prove identity
  - Do NOT need a Social Security Number

## VITA Centers



- Volunteer Income Tax Assistance
- IRS program
- Free basic tax return preparation for qualified individuals
- Current and late tax filings
- **Available:** typically early February through mid April
- Locations
  - UW (PACCAR Hall, Room 199)
    - TTh, 11:30-2:30pm
  - AARP
  - Seattle Public Library
  - United Way of King County

## UW LITC



- University of Washington Federal Low Income Tax Clinic
  - Law students (supervised by practicing attorneys)
  - When things go “wrong”
    - Notice of Deficiency
    - Debt you are unable to pay
    - Etc.
- NOT for tax return preparation services



Questions?

# Resources

<https://www.irs.gov/individuals/international-taxpayers/foreign-persons>

<https://www.irs.gov/businesses/small-businesses-self-employed/irs-audits#:~:text=Generally%2C%20the%20IRS%20can%20include,possible%20after%20they%20are%20filed.>

<https://www.irs.gov/credits-deductions-for-individuals#:~:text=Deductions%20can%20reduce%20the%20amount,don't%20owe%20any%20tax.>

<https://www.irs.gov/individuals/international-taxpayers/foreign-student-liability-for-social-security-and-medicare-taxes>

<https://www.irs.gov/credits-deductions-for-individuals#:~:text=Deductions%20can%20reduce%20the%20amount,don't%20owe%20any%20tax.>

<https://iss.washington.edu/resources/money-matters/tax-information/#who>

<https://www.irs.gov/individuals/international-taxpayers/resident-aliens>

<https://www.irs.gov/individuals/international-taxpayers/closer-connection-exception-to-the-substantial-presence-test>

<https://www.irs.gov/businesses/small-businesses-self-employed/report-of-foreign-bank-and-financial-accounts-fbar>

<https://www.irs.gov/individuals/international-taxpayers/closer-connection-exception-to-the-substantial-presence-test>

# Thanks

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