





Individuals who are nonresidents for tax purposes (as discussed below) are not required to pay taxes on interest paid to them by U.S. banks.

Note 3, Q F R P H ' L V Q R W p d l o P t h e W o n e R e s i d e n t i n Z a s h u t a l s o i n c l u d e s t h a t p o r t i o n o f a s c h o l a r s h i p , f e l l o w s h i p , o r a s s i s t a n t s h i p t h a t i s a p p l i e d t o h o u s i n g a n d m e a l e x p e n s e s . T h e p o r t i o n a p p l i e d d i r e c t l y t o t u i t i o n , f e e s , a n d b o o k s i s n o t c o n s i d e r e d i n c o m e t o a n y s t u d e n t . I f s c h o l a r s h i p m o n e y i s p r o v i d e d d i r e c t l y t o t h e n o n r e s i d e n t b y c h e c k o r c a s h , h o w e v e r , i t i s f u l l y t a x a b l e e v e n i f t h e s t u d e n t i n t e n d s t o u s e i t t o p a y f o r t u i t i o n , f e e s , a n d / o r b o o k s .

### Effectively-Connected and Not Effectively-Connected Income

Effectively-connected income is any income that is directly related to the US activities of the nonresident alien. Examples of this kind of income are job wages, scholarships, and independent contractor payments. This income is taxed at graduated rates according to the total amount of income.

### Not-Effectively-Connected Income

These types of income are not directly related to or required by the US activities of the nonresident alien. Examples of this type of income are: gambling winnings, dividend income capital gains, and stock market investment profits. This type of income is taxed at a flat 30% rate and, unless a tax treaty exemption applies that reduces or eliminates the tax due, the nonresident taxpayer is unable to recoup that 30% tax.

### What is a Tax Return?

In the United States, federal income taxes are prepaid by our employer(s) based on the estimate of liability provided by the employee on the Form 4 (usually completed by the employee at the time of hire). Since the withholding is only an estimate, employees are given a yearly opportunity to reconcile the amount taken out with how much was owed. The name of the form R Q Z K L F K W K H U H F R Q F L O L D W L R Q L V P D G H L V F D O O H G W K H [Internal Revenue Service \(IRS\)](#), an agency of the U.S. government.

In some cases, filing the tax return results in a refund from the IRS because the withholding was higher than necessary. However, sometimes a taxpayer does not have enough withheld from payments and must send a payment to the IRS with his or her tax return. Occasionally, the amount taken out matches the amount due, so no money is due by either the taxpayer or the IRS. (This happens most often when a tax treaty exemption has been applied, and there is no liability on the income.)

The deadline for filing the tax return is April 15 of every year for individuals within the United States, but an extension until April 15 is available for tax year 2010 due to a Washington, D.C. holiday. Individuals filing a tax return from outside the United States have an automatic extension of time to file until June 15. However, this is NOT an extension of time to pay, so care must be taken to not encourage late filing when tax may be due. Individuals who need to file only the Form 8843 because they had no income are given until June 15 to submit their form.

### Who Must File a Tax Return?



- JnRQVWXGHQWV DQG WKHLU GHSHQGHQWV DUH <sup>3</sup>H[HP SW every six tax years.

'XULQJ WKH WLPH LQGLYLGXDOV LQ ) - 0 DQG 4 LPPLJUDW cannot pass the 183-day SPT and will remain nonresident for tax purposes even though they are actually present in the United States for more than 183 days. The period of <sup>3</sup>H[HP SW L Q G L Y e n d s D a y s of physical presence will be counted and they may become residents for tax purposes.

#### Claiming Exemptions for Spouse and/or Children

The general rule is that a nonresident alien may claim ~~only~~ one personal exemption for himself or herself, and no additional exemptions for spouse or children. There are ~~exceptions~~ to this general rule for residents of Canada, Mexico, South Korea, and India, based on tax treaties with those countries. The details of each treaty differ. ~~See~~ [Publication 519](#) for more information.

The [IRS Web site](#)



Other offices such as the university payroll office and business and law colleges may also have information about tax return preparation services for nonresidents. Local libraries often host VITA programs that are also trained to assist with filing of state income tax returns.

## Additional Resources

Internal Revenue Service

<http://www.irs.gov>

IRS Forms

<http://www.irs.gov/formspubs/index.html>

IRS Publications

o

## Examples of University Resources