



## Glossary of US Tax Terms for Internationals

**Calendar Year:** Internationals in the USA for even one day between January 1<sup>st</sup> and December 31<sup>st</sup> of a given year are considered to be in the USA for a “calendar year”. Example: internationals arriving in the USA on December 30, 2008, although in the USA for only two days in 2008, for US tax purposes are considered to have been in the USA for one calendar year.

**Compensation:** This is any payment made in exchange for services performed. Payment might include cash, reduced tuition or rent, partial board, or other method of payment. Among other categories, compensation may be earned by anyone who is an employee, fellow, or student.

**Deduction or Exemption:** This is an amount of money that an individual may be permitted to deduct from the total taxable income when calculating how much tax liability is incurred.

**FICA Tax:** Also known as the “Social Security tax”, FICA is the composite of a retirement pension and medical benefits tax on employers and employees. The current tax rate is 15.3% which is split evenly between the employee and employer. Students who are actively attending classes are exempt from FICA Tax if they are employed by the institution that they are attending.

**Foreign-Source Income:** Income from sources outside the USA. For non-resident aliens, this income type is not taxable. Only US-source income is taxable. Please see publication 519 (<http://www.irs.gov/pub/irs-pdf/p519.pdf>), Table 2-1 to determine whether income is foreign- or US-source.

**Form 1040NR:** Nonresident aliens are required to use this form if claiming dependents, tax treaty, or other exemptions or deductions, or US-source income that exceeds the annual limit. (2008 limit is \$100,000)

**Form 1040NR-EZ:** (<http://www.irs.gov/pub/irs-pdf/f1040nre.pdf>) Nonresident aliens who meet the qualifications (example: students in F-1 or J-1 status) may use the “easy” form. It is easier than a Form 1040NR.

**Form 1042-S:** Form issued to researchers, teachers, and students to report amounts, whether or not exempt from tax under an income tax treaty, that were paid to internationals even if no amount was

withheld. Usually these amounts are the result of income earned from scholarships, fellowships, or grants, but it may also be compensation from personal services.

**Form 8833:** Form 8833 is an official document used to claim treaty benefits.

**Form I-94:** Form I-94 is the arrival/departure card (stapled in passports). The date *written* on this card is the date on which authorization to stay in the USA expires. Most internationals in F-1 or J-1 status have “D/S” written in place of the end date. “D/S” means “Duration of Status” or that stay in the USA is authorized indefinitely if internationals keep complying with US Department of Homeland Security guidelines.

**Form W-2:** issued by Dickinson College in January of each year stating the amount of wages earned during the prior calendar year.

**Form W-4:** Employees complete this form upon accepting employment to inform employers how much tax to withhold. Unlike US citizens and permanent residents, internationals filing as nonresident aliens cannot decide how much to have withheld. They must follow special rules for completing Form W-4 found in IRS Publication 519 (<http://www.irs.gov/pub/irs-pdf/p519.pdf>), page 40.

**Form W-8BEN:** Form W-8BEN (<http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>) notifies US institutions that persons are IRS-defined nonresident aliens, or that they are claiming US tax treaty benefits on scholarships, fellowships, and other types of income.

**Grant:** Used to describe fellowships or scholarships. An amount to support study, training, or research, but does not represent compensation for any required service (such as teaching or research).

**I-20 Certificate of Eligibility for Nonimmigrant (F-1) Student Status:** Needed to obtain and keep a valid F-1 student visa. Student needs to prove: (1) they expect to be a bona-fide student, (2) they meet the admissions requirements of the institution, (3) they will pursue a full course of study, and (4) that they have enough money to support them while in the USA without working illegally or be in poverty.

**I-94 Status:** This is handwritten on the Form I-94 (I-94 card) stapled into passports. It is also on I-20s or DS-2019s. It usually, but not always, echoes the classification of visa used to enter the US. This is your ‘Status’ (i.e. F-1 or J-1, etc.).

**Lawful Permanent Residence (LPR):** This is a “Green Card Holder”, not just a person who has passed the Substantial Presence Test and is considered a resident alien.

**Nonresident Alien:** US tax residency status of non-US citizens temporarily in the USA. F-1 Students and J-1 Exchange Visitors are usually nonresident aliens when they first arrive in the USA. H-1B Specialty Workers may be nonresident aliens, but usually only for their first year. Unlike US citizens and resident aliens, who are required to pay taxes on their worldwide income, nonresident aliens are required to pay

taxes only on income from US sources. In addition, if a tax treaty exists between the nonresident alien's home country and the USA, all or a portion of US-source income may be exempt from taxes. (See Publication 901: US Tax Treaties (<http://www.irs.gov/pub/irs-pdf/p901.pdf>)).

**Original Date of Entry:** This is the first date you arrived in the USA. It is not the date that you last entered the USA after returning from a vacation or other trip.

**Permanent Resident Alien:** This is a lawful permanent resident, also known as a "green card holder". This is an individual who has been accorded the privilege of residing permanently in the USA. These persons are taxed in the same manner as US citizens – on worldwide income.

**Resident Alien:** An alien who is either a lawful permanent resident, and H-1B or O-1 holder, or an F-1 or J-1 holder who has spent enough time in the USA to pass the substantial presence test. Resident aliens are taxed in the same manner as US citizens – on worldwide income.

**Student and Exchange Visitor Information System (SEVIS):** Issues F-1 and J-1 visas.

**Substantial Presence Test:** Determines "IRS residency status" (not the same as I-94 status) for tax purposes. It calculates the number of days that an individual has been in the USA and finally determines whether the person is a "resident alien" or a "nonresident alien". Internationals in F-1 or J-1 status are exempt from having to take the Substantial Presence Test in the following cases:

- For students, for the first five calendar years.
- For scholars, for the first two calendar years.

**US-Source Income:** Income from sources within the USA. For nonresident aliens, this type of income is taxable (as opposed to "foreign-source income", which is not). See Publication 519 (<http://www.irs.gov/pub/irs-pdf/p519.pdf>), table 2-1 on page 12 to determine whether income is foreign or US-source.

**US Tax Residency Status:** Non-US citizens' tax liability depends on this. All non-US citizens are classified as either "resident aliens" or "nonresident aliens". US Tax Residency Status is independent of I-94 status.

**Visa Waiver:** A program that allows individuals from certain countries with little document fraud to enter the United States for business (VWB) or pleasure (VWT) without a Visa for up to 90 days. ([http://travel.state.gov/visa/temp/without/without\\_1990.html](http://travel.state.gov/visa/temp/without/without_1990.html)) The period cannot be extended in the United States.