U.S. Taxation of International Visitors

DISCLAIMER

- The information provided in this tax presentation does not constitute formal tax advice, which neither George Mason University, nor the International tax office is authorized to provide.
- While believing the information herein to be correct and accurate, neither George Mason University, nor the International Tax Office accepts legal responsibility for its accuracy.
5 THINGS TO REMEMBER ABOUT TAXES

1. U.S. sourced income is potentially taxed and reportable.
2. U.S. income is taxed based upon the person’s tax status and the income type.
3. Anyone with reportable income is required to have a Social Security Number or Individual Taxpayer ID Number
4. Individuals should understand how to obtain a taxpayer ID number.
5. Anyone receiving income from Mason should visit the International Tax Office.
Part I. Step One:
Determining Your Tax Status – Nonresident Alien or Resident Alien
Step One – Tax Status?

**Tax Status**

- US Citizen for Tax Purposes
- Permanent Resident Alien
- Resident Alien for Tax Purposes
- Non-Resident Alien for Tax Purposes

- **U.S. Tax Process** *(taxed on Worldwide Income)*
- **Nonresident Alien Tax Process** *(taxed on U.S. income)*
Step One – Test

- To determine if you are Resident Alien or Non-Resident Alien for Tax:
  - Do you have a green card?
    - If yes – you meet the Green Card Test, you are a [Permanent Resident Alien](#).
    - If no – you must to perform the [Substantial Presence Test](#) to determine your tax status.
  - **Substantial Presence Test**
    - To meet the test you have to:
      1. Be in the US for 31 days in current year, and
      2. Total days in the U.S. is 183 counting
        a. All days in current year +
        b. 1/3 of days in previous year +
        c. 1/6 of days in year prior to the previous year

  If you meet the test, you are a [Resident Alien](#).
  
  If you do not meet the test, you are a [Non Resident Alien](#).

You also qualify to be Non-Resident Alien in you are an exempt individual.
Step One – “Exempt Individuals”

- **General definition:**

Exempt Individuals are exempt from counting days under the substantial presence test for determining tax status.

Exempt Individuals are Non Resident Aliens.

- **Groups of Exempt Individuals:**

- **Students** temporarily in the U.S. in F, J, Q or M visa statuses for any part of a calendar year for no more than 5 years.

- **Teachers of trainees** in the U.S. in J or Q status for any part of a calendar year for no more than 2 years including current and previous 6 years.

- **Foreign government-related individuals**

- **Professional athletes**
Part I. Step Two:

Income type
Tax withholding
Tax Reporting
# Step Two – Income Types and Tax Withholding

<table>
<thead>
<tr>
<th>Income</th>
<th>U.S. Source if...</th>
<th>Payment Types</th>
<th>Federal Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensatory (dependent services)</td>
<td>Services performed in the United States</td>
<td>Wages or salary (Payroll)</td>
<td>$0 or Graduated rate* report on W-2 &amp;/or 1042s</td>
</tr>
<tr>
<td>Compensatory (independent services)</td>
<td>Services performed in the United States</td>
<td>Honorarium (Accounts Payable)</td>
<td>0% or 30% report on 1042s</td>
</tr>
<tr>
<td>Scholarship/Fellowship</td>
<td>Tax Residence of the Payer</td>
<td>Tuition, living expenses (Student Account or Accounts Payable)</td>
<td>0%, 14% (J &amp; F visa) or 30% report on 1042s</td>
</tr>
<tr>
<td>Other Income</td>
<td>Tax Residence of the Payer</td>
<td>Awards, Prizes (Accounts Payable)</td>
<td>30% report on 1042s</td>
</tr>
</tbody>
</table>
Step Two – Types of Taxes on Wage and Salary Income

Federal Income Tax
Mandated by Internal Revenue Service

State and Local Income Tax
Mandated by each state and local government

Social Security and Medicare Tax (FICA)
Mandated by Social Security Administration
Step Two – Tax Reporting

U.S. INCOME IS REPORTABLE TO THE U.S. GOVERNMENT
(Federal, State and Local)

Withholding Agents or Payers

- Reports income paid and tax withheld
- Reporting documents: W-2, 1042s, 1099

Individuals (annual tax returns)

- Determine actual tax liability on income and compare to tax withheld
  - Over withheld = Refund
  - Under withheld = Taxes Owed
Important Rule to Remember

All U.S. sourced income is subject to U.S. Income Tax and Reporting

Unless:

- Exemption under Income Tax Treaty
- Exclusion under the U.S. Tax Code
Step Two - Exemptions and Reductions

Tax Treaties
- Agreement between U.S. and foreign country.
- Prevents dual income taxation (Tax Treaties).

Exemptions from FICA tax
- NRA students and scholars in F-1, J-1, M-1 and Q-1 visa status working legally.

Reduction in Scholarship/Fellowship Tax
- Reduced from 30% to 14% for students and scholars in F, J, Q or M visa statuses.
PART II
U.S. Taxpayer I.D. Numbers
U.S. Taxpayer I.D. Numbers

REQUIRED FOR TAX REPORTING

Social Security Numbers (SSN)
- Required for reporting wage (employment) income
- Administered by the Social Security Administration

Individual Taxpayer Identification Numbers (ITIN)
- Used when ineligible for social security number
- Required to report other taxable income
- Administered by the Internal Revenue Service
U.S. Taxpayer I.D. Numbers

OBTAINING A U.S. TAXPAYER ID NUMBER

Social Security Numbers
• Application is submitted at the Social Security Office

Individual Taxpayer Identification Numbers
• Application is submitted at the Internal Revenue Service Office
The International Tax Office is responsible for ensuring the University complies with U.S. tax and immigration law when making payments to or on behalf of its foreign visitors, vendors and in some instances, payments for services outside the U.S.

RULE:

Any foreign national receiving income from Mason is required to visit the International Tax Office.
Specific responsibilities include:

1. **I-9** and E-verify of all foreign national employees at Mason
2. Tax Appointments for Mason’s foreign visitors (students, scholars, independent contractors and others).
3. Analysis of payments to foreign visitors (scholarship/fellowship, employment income, independent contractor income, travel reimbursements, and honoraria).
4. Preparation of the **1042s**.
5. Assistance with year-end tax preparation for the university’s foreign visitors including the administration of the tax preparation software.