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**5 Things Every Nonresident in the US Should Know About Tax**

When you arrive in the US as an international student or J-1 participant you will probably be ***pretty*** busy.

No doubt you will be eager to find accommodation, check out your new neighborhood and make new friends!

Tax, on the other hand, will be the furthest thing from your mind.

However, while thinking about boring financial forms may not be the most exciting prospect, it’s very important for every nonresident in the US to understand and comply with their US tax obligations.

Why?

Well, if you don’t satisfy your tax requirements, you can jeopardize your future US visa and green card applications. You may even bit charged with nasty fines and penalties (yikes!).

But, it’s not all bad news. Many international students and J-1 participants are entitled to claim big tax refunds at the end of the tax year.

So, with this in mind, we have created this handy guide to breakdown everything you need to know about the US tax system.

We will discuss the type of tax you must pay while in the US, the documents you are required to file and how to claim your tax refund!

Here’s 5 things every nonresident in the US should know about tax:

**1 – Determining** **your tax residency status**

It is very important to properly determine your US tax residency status when you first arrive in the US.

When you know your tax residency status you will be able to file fully compliant tax paperwork in the US.

In general, international students and J-1 participants are considered ‘nonresident aliens’ for tax purposes for the first five calendar years of their stay in the US.

The main difference between residents and nonresidents is that US citizens are taxed on their worldwide income while nonresident aliens have to report only their US-sourced income.

The US tax authorities – the IRS – use the **substantial presence test** to determine whether an individual should be taxed as a US citizen or a nonresident alien for a specific year.

An individual will meet the substantial presence test if they were present in the US for at least 31 days in the current year and a combined total of 183 equivalent days during the current year and prior two years.

If you do not pass the substantial presence t****est you will be classified as a nonresident alien for tax purposes.

**2 – Filing your tax documents**

If you earn income as a nonresident alien in the US, you must fill out form 1040NR or 1040NR-EZ form by the tax filing deadline – 15 July.

And it’s important to note that, even if you do not earn any income in the US, you still have a tax filing obligation. You must file a form 8843 with the IRS by the tax deadline.

**What you will need in order to file your tax documents**

When you sit down to prepare your US tax documents you will need to have the following materials close at hand:

* Your residency status
* Your Social Security Number (SSN), or Individual Taxpayer Identification Number (ITIN):  
  If you want to work in the US, you'll need a SSN or ITIN to identify you for tax purposes. You must put your taxpayer identification number on your tax returns, statements, and any other tax-related documents.

SSNs are the most common type of tax identification number. However, you will need an ITIN if you expect to receive taxable Scholarship, Fellowship or Grant income and you do not qualify for a Social Security Number (SSN).

* Your income documents

There are three main types of income documents:

* If you earned a wage or tips in the US, you should have received a **W2 form** from your US employer by the end of February.
* You will get a **1042-S form** from your school or institution if you received a taxable scholarship (for example, a stipend or housing allowance).
* The **1099** is less common, but you may receive this if you earned rental income, investment income or if you worked as an independent contractor.

**Failure to file**

If you do not file a tax return you:

* may be hit with fines and penalties
* may also risk your future visa applications
* will not receive your tax refund

**3 – Claiming tax treaty benefits**

The US has negotiated tax treaties with 6****5 countries around the world to ensure that nonresidents are not subject to double taxation (in other words, to prevent them from having to pay tax in two countries).

Under the terms of tax treaties, many nonresidents in the US are:

● Taxed at a reduced rate

● Exempt from US tax on income derived from specific sources earned within the US

**The US has signed tax treaty agreements with:**

Armenia, Australia, Austria, Azerbaijan, Bangladesh, Barbados, Belarus, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Korea, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Moldova, Morocco, Netherlands, New Zealand, Norway, Pakistan. Philippines, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Thailand, Trinidad, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, United States Model, Uzbekistan, Venezuela.

Should you be eligible, you can claim your tax treaty benefits by filing your tax return at the end of the tax year.

**4 – Claiming your tax refund**

The purpose of filing a tax return is to review the income you earned over the course of the tax year and the tax that was deducted.

It’s also an opportunity to claim any deductions that you may qualify for.

If there was an underpayment of tax, you will be required to pay the balance owed to the IRS.

On the other hand, if you overpaid on your tax bill, you will be entitled to claim a refund of the amount that was overpaid.

Every year, thousands of international students and J-1 participants are entitled to claim a US tax refund.

It is always a good idea to claim your tax entitlements. For many nonresidents, the amounts claimed can stretch well into four figures!

Do you really want to leave that much money with the taxman? Of course not!

**5 – Preparing your tax documents the easy way!**

When tax season rolls around, you can always choose to file your tax return on your own directly with the IRS.

The main advantage of filing on your own is that it’s free. The main disadvantage is that, by filing on your own, the burden of ensuring that your tax return is fully compliant will lie solely with you.

As we mentioned above, if you file a****n incorrect tax return you may be hit with fines and penalties. You may even jeopardize your future US visa or green card applications.

And it’s for this reason that many nonresidents seek help from companies like **Sprintax** when preparing their tax documents.

**Sprintax <Add your unique URL here**> is the nonresident partner of choice for TurboTax and the only online federal and state self-prep tax software for nonresidents in the US.

When you **create your Sprintax account<Add your unique URL here**> you can:

- determine your US tax residency status in minutes

- prepare fully compliant federal and state tax returns and form 8843 online

- claim your maximum legal tax refund

- and more

If you have questions about your nonresident tax obligations, Sprintax also offer 24/7 [**Live Chat**](https://www.sprintax.com/meet-stacy.html?pg=143) support to guide you.

**Learn more about Sprintax here <Add your unique URL here**>