




---

---

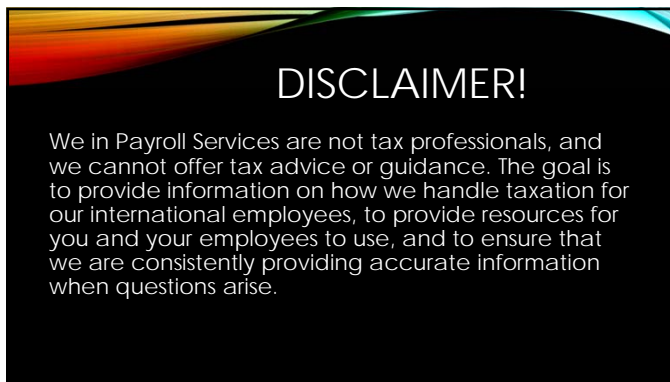
---

---

---

---

---




---

---

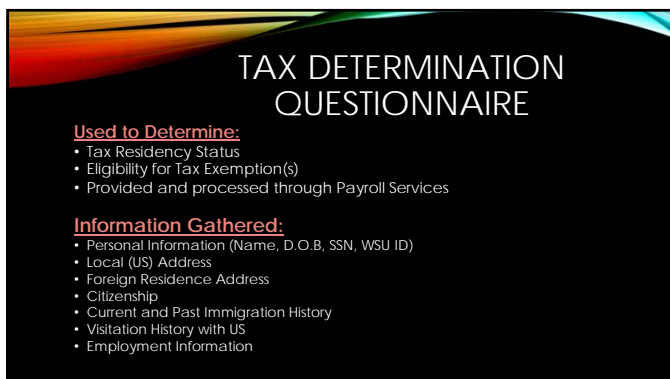
---

---

---

---

---




---

---

---

---

---

---

---

## TAX RESIDENCY STATUS

### Based off of several factors:

- Current immigration status (visa type)
- Predicted time in US
- Previous immigration history
- Previous visitation history

*This information will determine whether  
the employee is classified as a  
Nonresident Alien (NRA) for Tax Purposes -or-  
Resident Alien (RA) for Tax Purposes*

---

---

---

---

---

---

---

---

## TAX RESIDENCY STATUS CONTINUED...

There are 2 metric ways to determine an employees Tax Residency Status

- 1) IRC-based Exemption
- 2) Substantial Presence Test

---

---

---

---

---

---

---

---

## A BRIEF ASIDE

The term exemption is thrown around when discussing international employees and their taxation. It is important to note that, in the following cases, the exemption in question is solely an **exemption from FICA taxes**.

Determining an employee's eligibility to claim an **exemption from Federal Income Tax (FIT)** is a different process, and will be discussed later.

---

---

---

---

---

---

---

---

## IRC-BASED EXEMPTION

Employees With F or J Visas Qualify for Automatic, Nonresident Alien Status for Tax Purposes with the Following Restrictions:

### F Visa

- 5 Years over Lifetime
- Years do not have to be consecutive
- Years are counted as wholes; any physical presence during any part of a year counts the entire year as 1 of the 5

### J Visa

- Any 2 years out of current and past 6 calendar years, rolling forward
- Years do not have to be consecutive
- Possible for J Visa holders to switch back and forth between NRA and RA status during extended stay

---

---

---

---

---

---

---

---

## EXAMPLES: IRC-BASED EXEMPTION

For This Example We Will Assume that an Employee Arrived for Fall Semester, 2018 (8/1/18), with no Prior Visitation History

### F Visa

- Presence in 2018 makes that first year of automatic exemption
- Years of automatic exemption will run 2018 – 2022
- Date IRC-Based Exemption expires: 01/01/2023
- As of 01/01/2023 tax residency status will be based on results of Substantial Presence Test

### J Visa

- Presence in 2018 makes that first year of automatic exemption
- Years of automatic exemption will run 2018 – 2019
- For 2020 – 2024 tax residency status will be based on results of Substantial Presence Test
- 7-year cycle will reset 2025, and employee will qualify for IRC-Based Exemption again. Years of automatic exemption would be 2025 – 2026
- Cycle repeats for duration of J immigration status

---

---

---

---

---

---

---

---

## SUBSTANTIAL PRESENCE TEST

- Measures days or presence in the US during a calendar year
- If individual is present for half of the year or more (183+ days) they are classified RA
- If individual is present for less than half of the year (<183 days) they are classified NRA
- Formula for determining tax residency status is :

Days Present in Current Year	_____
Days Present in Prior Year ÷ 3	_____
Days Present in Prior Year ÷ 6	_____
Total Days Counted	_____

---

---

---

---

---

---

---

---

## EXAMPLE: SUBSTANTIAL PRESENCE TEST

For this example we will assume that an individual arrived on an F1 visa in 2014 and has been present for at least one day every year since arrival. In this instance we will need to calculate days beginning 1/1/2019, assuming presence every day in 2019

Days Present in Current Year:	365
Days Present in Prior Year $\div$ 3:	Exempt (0)
Days Present in Prior Year $\div$ 6:	Exempt (0)
Total Days Counted:	365
Result:	Resident Alien for Tax Purposes for 2019

---

---

---

---

---

---

---

---

## SIGNING TDQ RESULT DOCUMENTS

Once the TDQ has been completed and processed there will be documents generated in order to input the employee in AIS for proper withholding. Each employee will receive an email with their results inviting them to sign their documents as soon as possible

- If the employee is on the Pullman Campus they can stop by the Payroll Services office to sign the documents
- If the employee is off the Pullman Campus they can send an email to Brandon Cross to coordinate signing the documents

---

---

---

---

---

---

---

---

## TAX RESIDENCY STATUS REVISITED...

### Nonresident Alien for Tax Purposes

- Limited in how Form W4 can be completed
  - Mark Single box
  - Claim 01 allowances
  - Write the letters 'NRA' on the dotted line by box 6
- Not eligible to claim the standard deduction
- Exempt from FICA taxes (OASI and Medicare) if criteria is met

*If an employee wishes to complete a W4 claiming NRA status, you can either assist them in completing the W4 in the above manner or direct them to Payroll Services*

### Resident Alien for Tax Purposes

- Can complete Form W4 without restrictions
  - We cannot offer advice or guidance in how an employee should complete their W4
- Eligible to claim the standard deduction
- Must pay FICA taxes (OASI and Medicare)

---

---

---

---

---

---

---

---

## EXAMPLE: FORM W-4 COMPLETED FOR NRA STATUS

Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records.

<b>W-4</b> Employee's Withholding Allowance Certificate		OMB No. 1545-0047 <b>2019</b>
1 Your full name and middle initial Butch T		
2 Home address (number and street or rural route) 1234 Cooper Way City or town, state, and ZIP code Putnam, VA 22685		
3 Marital status <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but without at higher single rate If married, enter spouse's name "Married, but without at higher single rate."		
4 If your last name differs from that shown on your social security card, check here. You must call 800-772-6233 for a replacement card.		
5 Total number of allowances you're claiming from the applicable worksheet on the following page(s): 6 Additional amount, if any, you want withheld from each paycheck 7 I claim exemption from withholding for 2019, and I certify that I meet both of the following conditions for exemption: • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here.		
8 Employee's name and address (Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Director of New Hire.)		
9 First date of employment		10 Employee identification number (EIN)
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete. Employee's signature (This form is not valid unless you sign it.)		
For Privacy Act and Paperwork Reduction Act Notice, see page 4.		

## FEDERAL INCOME TAX EXEMPTIONS

### Also Known As "Tax Treaty Benefits"

The results of the TDQ will help to assess eligibility for any Tax Treaty Benefits. Eligibility is based on each individual's unique status and immigration history, so there is no guarantee that someone will qualify for an exemption simply based on their visa type or citizenship.

If anyone shows up asking why they might be paying more or less taxes than their friend/colleague/coworker who holds the same visa type and is from the same country the best thing to do is direct them to Payroll Services.

### How do Tax Treaty Benefits effect the employee?

A specific amount of taxable wages are exempt from federal income tax. At the end of the year they will receive a W-2 (if their taxable wages exceed the tax treaty amount) and a 1042-S with the tax treaty amount.

## RESOURCES FOR EMPLOYEES

### Payroll Services

- Taxation (Federal and FICA)
- Earnings
- Tax Forms (W2, 1042S)
- General Questions about Tax Filing and FICA Refunds
- TDQ's

### International Programs

- Immigration Status Changes
  - Visa extensions or changes
  - OPT/CPT
  - LPR
- Work Authorization (EAD)
- NRA Tax Filing Program (ex: Glacier Tax Prep)
- Getting a Social Security Number for international Students seeking employment

### Receivables

- Tax Form: 1098I
- Tuition/Fees

## ONBOARDING ASSISTANCE:

Checklist:

- ☐ Presented TDQ Form
- ☐ Assisted with W-4
- ☐ Question's about Tax Prep Service – IP
- ☐ Question's about tax withholding- Payroll
- ☐ Question's about Tax forms (W-2, 1042-S) - Payroll

---

---

---

---

---

---

---

## RESOURCES FOR YOU

- Taxation of Nonresident Aliens (IRS):
  - <https://www.irs.gov/businesses/taxation-of-nonresident-aliens-1>
- Substantial Presence Test (IRS):
  - <https://www.irs.gov/individuals/international-taxpayers/substantial-presence-test>
- Withholding of Tax on Nonresident Aliens and Foreign Entities (Pub 515) (IRS):
  - <https://www.irs.gov/pub/irs-pdf/p515.pdf>
- United States Income Tax Treaties – A to Z:
  - <https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z>

---

---

---

---

---

---

---

# THANK YOU!

Questions/Comments/Concerns?

---

---

---

---

---

---

---