International employees-FAQ

Persons who are non-resident aliens for tax purposes are generally taxed at much higher rates on all U.S. source income than are resident aliens and citizens. Therefore, it is important for NRA's to have a basic understanding of the U.S. tax system. Please see below for answers to common questions.

WHO IS A NON-RESIDENT ALIEN?

Two U.S. government agencies, the U.S. Citizenship and Immigration Service (now known as USCIS) and the U.S. Internal Revenue Service (IRS) use the term non-resident alien.

USCIS Definition: Persons who reside temporarily in the United States in non-immigrant status are known by USCIS as non-resident aliens. The most common non-immigrant statuses at UMass Lowell include F-1, F-2, J-1, J-2, H-1B, and TN.

IRS Definition: For IRS purposes, a non-resident alien is any non-citizen or legal permanent resident who has not resided in the U.S. for more than 182 days in any given year, as evidenced by the Substantial Presence Test (SPT). Persons who meet the SPT will be taxed primarily the same as legal permanent residents and citizens, which may include withholding of FICA from employment compensation.

ARE THERE EXCEPTIONS TO THE SUBSTANTIAL PRESENCE TEST? Persons in F and J student status are exempt from counting days toward the Substantial Presence Test for a period of five tax years. Therefore, as NRA's, FICA withholding will not be required and tax returns must be filed on the Form 1040NR or 1040NR-EZ.
Persons in J-1 non-student status are exempt from counting days toward the SPT for a period of two tax years. Therefore, as NRA’s, FICA withholding will not be required and tax returns must be filed on the Form 1040NR or 1040NR-EZ until two years of physical presence have been completed.

**WHAT ARE TAX TREATIES?**

The United States currently has tax treaties with more than 50 countries. These treaties are designed to decrease the likelihood that the NRA will be taxed on the same income both in the U.S. and the country of tax residency.

Treaty benefits will not be honored unless appropriate treaty forms are completed and on file with Payroll Services. Payroll Services staff will help with these forms.

Working for a PI at UMass Lowell who received a grant is considered compensation for services, which is covered under the independent personal services article of a treaty. This is because the institution or the investigator is deemed to be the recipient of the grant, not the NRA.

**Student Treaties:**

Tax treaty benefits for students receiving compensation for employment are generally limited to a specific amount of income for each tax year (usually between $2,000 and $5,000 per year). Most treaty benefits will end once the student becomes a resident alien for tax purposes, so most treaty benefits will last no more than five years, with only a few exceptions.

Tax treaty benefits for scholarship income may also be available for students, even if there is not a corresponding treaty for compensation income.
Non-Student Treaties:

Tax treaties for non-students are generally not limited to a specific amount of income, but are limited by a specific number of years. In some cases, if a non-student remains in the U.S. beyond the period covered by the treaty (usually two years from the date of entry), a "retroactive clause" in the treaty requires payment of all taxes that were previously exempt. It is, therefore, important to monitor these dates and treaty benefits carefully.

Recipients of a research grant may be eligible for tax treaty benefits on the maintenance allowance provided in the grant, and should initiate a tax review immediately upon receipt of the grant.

HOW ARE NRA'S EMPLOYED ON THE UMASS LOWELL CAMPUS?

Most students in F-1 and J-1 immigration status may be employed for up to 20 hours per week when school is in session and up to full-time during authorized vacation periods. Employment is limited to on-campus jobs only, without additional authorization from either the U.S. Citizenship and Immigration Service (USCIS) or an adviser at the International Student Services Office.

Employment of postdoctoral researchers and others in J-1 non-student status is also common. Persons in J-1 non-student status are eligible for full-time employment at UMass Lowell and may be in benefit-eligible positions.

WHAT ARE THE PROCEDURES WHEN AN NRA IS HIRED BY A UMASS LOWELL DEPARTMENT?

When a department decides to hire an NRA, all routine "new hire" paperwork should be completed without delay.

The W-4 must be completed with name, address, SSN and a signature and date. (The figures on the W-4 are irrelevant to the "new hire" process for an NRA.)
There is no requirement to have an SSN at the time of hire for a newly-arrived NRA.

WHAT IF THE NRA EMPLOYEE DOES NOT HAVE A SOCIAL SECURITY NUMBER?
A Social Security number is not required from non-resident employees before they are allowed to begin work. However, a Social Security number is required before a foreign employee can benefit from a tax treaty exemption from withholding.

On July 1, 2002, the Social Security Administration (SSA) was mandated to verify Social Security number applicants with a USCIS database. In most circumstances this process takes three to four weeks but can take as long as two months.

Because of this new system, the SSA requires that newly-arrived non-residents wait 10 days after their U.S. arrival before submitting an application for a Social Security number.

ARE SCHOLARSHIPS AND PRIZE AWARDS TAXABLE?
Scholarships made to NRA students will be taxable income for any portions of the scholarship greater than the student's educational expenses or any amount provided directly to the student by cash or check. Educational expenses include resident and non-resident fees, student activity fees, information technology fees, and any additional fees required by an academic department. The portion of scholarship or prize award determined to be taxable will be withheld at a minimum of 14% unless there is a tax treaty that exempts the scholarship income from withholding.

Filing tax returns

Each year between mid-January and April 15, persons who have income in the United States (including international students and researchers) are required to file income tax returns. Tax returns provide an opportunity to apply for money that was withheld in amounts greater than the actual tax liability to be refunded to the applicant.
**Form W-2:** All employees who have taxable income from employment in the United States will receive a Form W-2, which is a statement of earnings. This form will arrive at the home address of the employee in mid-January. The Form W-2 is essential for filing a tax return.

**Form 1042-S:** All non-resident aliens who have scholarships that are greater than the amount of their fees or have tax treaty exempt wages will receive a Form 1042-S, which is a statement of that type of income received during the year. Persons who have ONLY a TA or RA fee waiver or a scholarship less than their semester fee charges will NOT be issued a Form 1042-S. The NRA will receive this Form 1042 S mid-March. Therefore, persons with the above types of income may not file a tax return until AFTER they have received Form 1042-S.

**Form 8843:** All NRAs must file this form whether or not they received income in the U.S. This form must be submitted by June 15.

Persons who are outside the United States on April 15 have until June 15 to file their tax return.

If you are currently employed at UMass Lowell and are unsure as to whether tax treaty benefits, apply to you, please contact Vanntha_Sann@uml.edu. **DO NOT FOLLOW A FRIEND’S ADVICE.** Chances are that you will receive incorrect information that will cost you money during tax season.