



Nonresident Alien Tax Compliance

Welcome!

Towson University is in compliance with Nonresident alien (NRA) federal tax regulations overseen by the Internal Revenue Service. *Any reference to “nonresident alien” or NRA in this documents means a nonresident alien for tax purposes.*

For any individual or beneficiary who is not a U.S. Citizen or Permanent Resident receiving payment from Towson University requires a tax analysis which determines a person’s tax status, type of income, and require tax withholding and reporting.

Please note we are not certified as required by Maryland State law to advise individuals on personal tax matters, however, we do provide relevant tools and resources to help guide TU's international community with tax questions regarding payments and other NRA financial matters.

U.S. Taxes – Overview

- The Internal Revenue Service (IRS) is the U.S. government tax agency which issues and enforces federal tax regulations and laws. (Each state also has a tax agency. Maryland's state tax agency is overseen by the Comptroller's Office).
- There are specific tax laws issued by IRS regarding taxation and reporting of payments made to non-U.S. citizens. See [Publication 515 - Withholding of Tax on Nonresident Aliens and Foreign Entities](#)
- Towson University, as a withholding agent, may be required to withhold U. S. income tax in connection with payments made by the University to foreign nationals who are not U. S. citizens or permanent resident aliens.
- Payments received by a foreign national and possibly subject to tax withholding and reporting may include one or more of the following:

Wage/Salary/Compensation	Travel Expenses/Reimbursements
Independent Contractor Payments	Royalties
Honoraria/Guest Speaker/Consultant Fees	Prizes/Awards
Certain Fellowships/Scholarships	Stipends/Living Allowances

- Receiving such payments may require foreign nationals to file a U.S. tax return.

Disclaimer

The tax information in this document is provided as a service to foreign nationals who have a connection with Towson University and it is not a complete source of tax regulations. The function of the Nonresident Alien Tax Office is an administrative one for Towson University purposes only. Information regarding immigration, employment, and tax filing regulations are the responsibility of each foreign national who receives payment from Towson University.

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U.S. Taxes - Tax Residency Status

Identifying Individuals for Analysis

Federal law dictates that Towson University must determine a person's tax status for those individuals who are not U. S. Citizens or Permanent Resident Aliens. The Internal Revenue Services has four categories of tax residency status. *These are NOT immigration categories!*

- United States citizen
- Permanent resident alien
- Resident alien for tax purposes
- Nonresident alien for tax purposes

All of Towson University's payment forms ask the question: "Are you or the beneficiary of this payment a US Citizen or Permanent Resident Alien?" If the answer is no, then individuals are referred to the Nonresident Alien Tax Office for a tax analysis. The tax analysis will conclude the individual is one of the following:

Resident Alien for Tax Purposes (RA)

*A **resident alien** for tax purposes is subject to the same tax regulations as a U. S. Citizen. Resident aliens are taxed on their worldwide income.*

Nonresident Alien for Tax Purposes (NRA)

*Separate tax laws regulate those who qualify as a **nonresident alien** for tax purposes. Nonresident aliens for tax purposes are only taxed on their "U. S. source" income.*

NRA and RA definitions apply only on the federal level. The definitions and purpose do not apply on the state level in the same manner.

Determining Tax Status

- A calculation called the Substantial Presence Test (SPT) is used to determine your tax status of RA or NRA. The key factors of the substantial presence test is the history of U.S. visits and immigration classification during those visits. [Click here](#) for examples.
- Towson University uses Glacier™ to determine tax status.
- If the information required for the Substantial Presence Test is not available, the University must by law presume the individual is a NRA and withhold tax accordingly.
- Any reference to "nonresident alien" or NRA on this website means a nonresident alien for tax purposes.

GLACIER™ . . . (a product of Arctic International, LLC)

Is a secure web-accessed tax analysis software to determine your tax status and manage tax records.

A record will be set up under your name and you will be asked to enter immigration and other information to determine your tax status.

Once the information is enter, Glacier analyzes the data to determine your tax residency status, tax treaty exemptions and tax withholding. It also generates necessary IRS forms for your tax record, including:

- Tax Summary Report
- Tax treaty forms if applicable

Once you are entered in the system, the database tracks a person's tax residency status, immigration expiration and tax treaty limits.

GLACIER Access

Each user is assigned a unique password for access, which they receive via e-mail. The "From" address reads: support@online-tax.net.

Any e-mail from support@online-tax.net is important and requires prompt attention.

Please note: It is Towson University's policy to apply the maximum tax withholding rate for individuals who do not complete this process for determining tax residency status.

Towson University Tax File

NRAs are responsible for working with the NRA Tax Office to ensure their individual tax file is current. In order to facilitate this process, the NRA Tax Office will contact NRAs for the following reasons:

Supporting Documentation

The NRA Tax Office is required to collect copies of immigration documents in order to substantiate tax residency status and to maintain a tax file for each nonresident alien.

- Passport and U.S. visa
- I-94 arrival card
- Applicable visa form: Form I-20, DS 2019, I-797, etc.

A complete tax file contains:

- Tax Summary Report (GLACIER form)
- Relevant tax withholding & tax treaty documents.
- Copies of immigration documents.

Updating Record

NRAs are responsible for ensuring their GLACIER record contains current information. NRAs should update their GLACIER record for:

- Change in TIN (e.g., obtaining a Social Security Number)
- Immigration status changes (e.g., receiving permanent resident status)

- Change in departure date (e.g., extending studies in U.S.)
- Address change
- Telephone & e-mail address change
- Change in payment relationship (e.g., beginning to work at Towson University)

Change in Tax File Status

The NRA Tax Office will contact NRAs via e-mail from GLACIER in the following instances:

- Missing TIN
- Residency Status Change
- Immigration Status Expiration
- Tax Treaty Renewal
- FICA Exemption Change
- Incomplete Tax File

Tax Filing - Recordkeeping

You should keep any and all documents that may have an impact on your federal tax return. Your annual tax record file should contain the following:

- All yearend tax statements.
- One copy each of your federal and state tax returns.
- One copy of Form 8843 Statement for Exempt Individuals and Individuals With A Medical Condition.
- Any correspondence with IRS or state tax authority.
- Other receipts or documents you used to prepare your tax return.

Keep copies of your tax return and yearend tax statements in a safe place for at least 3 years. You may need them in the future for a tax audit or when applying for additional U.S. visas or changes in your immigration status. If you might apply for permanent residency or US citizenship, keep your tax records for 7 years.

Other Documents

Other tax-related and financial documents you should keep on file:

- Monthly statements from financial institutions, including processed checks (cancelled or imaged).
- Pay statements listing your gross employment income and deductions such as taxes withheld. Statement is either attached to your check or mailed if you have direct deposit.
- Receipts or proof of payment from financial transactions such as:
 - Rent, Utility bills, Insurance, Telephone, Textbooks and school supplies (for those with a scholarship), Credit card and other receipts, Invoices
- Contracts – e. g., apartment lease; employment contract; bank, loan or credit card.

For complete information on recordkeeping, refer to IRS Publication 552 - Recordkeeping for Individuals at: www.irs.gov.

US Taxes – Income & Tax Withholding

IRS Payment Type & NRA Withholding Amount

<u>Income Category</u>	<u>Description</u>	<u>Type of Payments</u>	<u>Withholding Amount</u>
Compensation (Dependent)	Employee services (student worker, graduate assistant, faculty, staff)	Wages, Salary, Travel Payments	*Graduated tax withholding + additional "non-cash" amount to total wages earned per bi-weekly pay period (based on single marital status + 1 exemption**)
Compensation (Independent)	Independent contractor services	Consulting Fees, Guest Speaker Fees, Honoraria, Travel Payments	30%
Qualified Scholarship/Fellowship	No services required; independent educational activity	Tuition, Room and Board, Fees; Supplies, Equipment	0%
Non-qualified Scholarship/Fellowship	No services required; independent educational activity	Stipend/Living Allowance (Room & Board), Travel	14%
Royalty	Passive income for use of intangible goods	Royalty	30%
Other income	No services required; no specific recurring criteria	Prizes, Awards	30%

**In certain cases, individuals from Canada, Mexico, Japan, Korea, American Samoa, the Northern Mariana Islands and students from India may be eligible for additional withholding allowances based on treaty benefits.*

***The additional "non-cash" tax withholding amount per bi-weekly pay period offsets the standard deduction, which NRAs are not eligible to claim on their tax return.*

Form W-4/MW 507 Employee's Withholding Allowance Certificate

- Towson University uses a modified Employee Withholding Allowance Certificate that combines the federal Form W-4 and the state of Maryland Form MW 507 on one document.
- The NRA Tax Office reviews and approves all Forms W-4/MW 507 for new hires who are not U.S. citizens or Permanent Resident Aliens to ensure proper dependent compensation tax withholding.
- A **Nonresident Alien** for tax purposes will be required to complete Form W-4/MW 507 for Federal tax in the following manner:

Line Number	Required Status	Comments
Line 3 – Marital Status	Single	Regardless of actual marital status
Line 5 – Withholding Allowances	1	Regardless of actual number of dependents <i>In certain cases, individuals from Canada, Mexico, Japan, Korea, American Samoa, the Northern Mariana Islands and students from India may be eligible for additional withholding allowances.</i>
Line 6 – Additional Amount	Write Nonresident Alien under Federal on Line 6 on Form W-4/MW507	Per bi-weekly pay period <i>The IRS specifies an additional "non-cash" withholding amount to be added to the total wages by pay cycle frequency. The additional tax-withholding amount per bi-weekly pay period offsets the standard deduction, which NRAs are generally not eligible to claim. See IRS Publication 519 U. S. Tax Guide for Aliens.</i>
Line 7 - NRAs are NOT permitted to claim "EXEMPT" for Federal tax withholding.		

- When an NRA's tax residency changes to Resident Alien, the NRA Tax Office will notify that individual of the opportunity to prepare a new Form W-4/MW 507.
- There is no mandatory State of Maryland withholding requirement for NRAs; rather the full-time student exemption rules should be followed.

Scholarships/Fellowships

- A scholarship/fellowship may have both non-taxable (qualified) and taxable (non-qualified) items awarded to any foreign national who may or may not be a student or employee of Towson University.

– **Qualified non-taxable items include:**

Tuition
 Book Allowance
 Mandatory University Fees and Technology Fees
 Mandatory Health Insurance
 Supplies
 Equipment

- **Non-qualified taxable items include:**

Room and Board
Fellowship Stipend (which does not require a service to be performed)
Living Allowance
Cash Award
Travel Award

- The taxable portion of a scholarship awarded to students in F, J, M or Q immigration status is subject to 14% withholding tax unless exempt by a tax treaty; all others are subject to 30% tax withholding unless exempt by a tax treaty.
- For students with taxable non-qualified scholarship amounts, Towson University will charge the amount of tax due to the student's account unless a tax treaty applies, which requires a Taxpayer Identification Number (either SSN or ITIN).
- Even if a scholarship or fellowship is not paid directly to the individual, tax is still applied to the total non-qualified amount.
- For more comprehensive information see [IRS Publication 970 – Tax Benefits for Education](#)

U.S. Taxes - Income Tax Treaties

- As of January 1, 2011 Towson University's practice is to allow tax treaties for non-qualified scholarships and independent compensation payments.
- Individuals can still claim treaty benefits (if applicable) when filing his/her tax return.
 - An income tax treaty is an agreement between the U. S. and a foreign country to minimize double taxation. The United States maintains income tax treaties with over 60 countries throughout the world. No two tax treaties are alike. Tax treaty exemptions are typically valid for a specified number of years and specified annual dollar amount.
 - The existence of an income tax treaty does not guarantee an exemption from tax withholding.
 - Income tax treaties apply to federal tax but not necessarily to state tax. The State of Maryland **does not** recognize tax treaties.
 - Certain taxable payments made to foreign nationals may be **exempt from** (*not subject to*) U. S. tax based on the terms of the income tax treaty between the U. S. and a foreign national's country of tax residency.
 - [IRS Publication 901 - U. S. Tax Treaties](#) provides more extensive information regarding tax treaties. All IRS publications and tax treaty texts are available on the IRS website

Claiming Tax Treaty Exemption

Non-Qualified Scholarship/Fellowship: The NRA Tax Office will notify individuals if they qualify and ask them to complete the appropriate form (W8BEN or W9).

Independent Compensation: The NRA Tax Office will inform the individual/vendor if they qualify and require them to complete the appropriate form (8233, W8BEN, W8EC).

When Filing a Tax Return: To claim a tax treaty exemption from tax withholding for dependent compensation, a nonresident alien must:

- Qualify and meet specified conditions
- Have a U.S. Taxpayer Identification Number (TIN)
- File required treaty exemption and tax forms

Form 8233 Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual

– To claim a tax treaty benefit for compensation income, including employee, consultant, honoraria, and independent contractor payments.

Tax Treaty Forms

Name	Title	Description
Form 8233	Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual	To be completed by Nonresident Aliens who qualify for a tax treaty benefit from tax withholding for compensation.
Form W-8BEN	Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding	To be completed by Nonresident Aliens who qualify for a tax treaty benefit from tax withholding for scholarships/fellowships.
Form W-9	Request for Taxpayer Identification Number and Certification	Applicable only to Resident Aliens for tax purposes. Nonresident aliens should NOT sign this form.

U.S. Taxes - Other Payroll Taxes

FICA/Medicare Withholding

- In addition to income tax, employees are subject to two other payroll deductions - FICA and Medicare

Nonresident Alien Exemption [Treasury Regulation § 1.3121(b)(19)] The nonresident alien exemption applies to a foreign national who is:

- A nonresident alien for tax purposes.
- Present in the U. S. under an F, J, M, or Q visa.

- Performing services in accordance with the primary purpose of the visa's issuance (the primary holder of the visa, -1).

For students who are NRAs for tax purposes, credit load is not a factor.

The spouse and dependent children of the primary visa holder are not eligible for this exemption.

Student Exemption [Treasury Regulation § 1.3121(b)(10)]

The student exemption applies to those who work for the institution at which he/she is enrolled and regularly attends classes.

This rule applies only during times when a student is taking a minimum of 6 credit hours.

Towson University applies the NRA exemption first. In the year in which an individual becomes a resident alien for tax purposes, the University begins withholding FICA and Medicare on January 1st unless the student exemption applies. If you believe FICA/Medicare has been withheld in error, you should contact your employer to request a refund.

Maryland Taxes

Below is a simple illustration of state residency status most applicable to Towson University students and scholars. For complete information, see the State of Maryland Comptroller's website.

- Residency status for Maryland **state** tax purposes is determined by where you live. The federal tax concepts of resident alien and nonresident alien do not apply.
- If you live in Maryland during all or part of the year, you are a resident **during** that time.
- If you live outside the State of Maryland for the entire tax year, you are a **nonresident**.

Maryland Withholding

- Towson University uses a modified Employee Withholding Allowance Certificate that combines the federal Form W-4 and the State of Maryland Form MW 507 into one document.
- The State of Maryland allows individuals to claim exempt from (not subject to) state tax withholding if they meet the two conditions specified on the form. Full-time students (single, under 65) are generally permitted to claim exempt if they earn less than \$8,750 per year.
- States may impose penalty and interest charges for under withholding if insufficient state taxes are withheld.

U.S. Taxes - How Taxes Are Used

Federal Income Tax

Federal income taxes pay for things like national defense, social programs, law enforcement and interest on the national debt.

State Income Tax

State and local income tax revenues are used for public education, police and fire protection, schools and roads.

FICA

FICA (also known as Social Security tax) provides benefits for retired workers, people with disabilities and their dependents.

Medicare

Medicare helps workers, retired workers and their spouses to pay for medical care when they are 65 years of age and older.

U.S. Taxes - Taxpayer Identification Number (TIN)

- For dependent compensation (employee) payments individuals first must obtain a Social Security Number in order to be put into the payroll system per State of Maryland policy.
- Any foreign national who claims an income tax treaty exemption must have a taxpayer identification number (SSN or ITIN). The TIN is either one of the following:

Social Security Number (SSN)

Individual Taxpayer Identification Number (ITIN)

Social Security Number - SSN

- In order to be **paid** by Towson University, you must have a Social Security Number.

You may begin to work if you don't have a SSN, as long as you have completed the I-9 process in the Office of Human Resources.

- The only way to obtain a SSN is if you have on-campus employment. Towson University does not issue Social Security Numbers; they are issued by a federal agency called the Social Security Administration.

Important to Note as of September 2012

- ***You must be in the US for at least 10 days before applying for a SSN and***
- ***You must be registered in SEVIS by the ISSO before you can apply (which can't begin until 1st day of classes).***
- In order to successfully apply for a Social Security Number, follow this process:
 1. Obtain a letter from your hiring supervisor stating that you have on-campus employment. Refer to Employment Section under the International Student & Scholar website for sample letter.
 2. Take the completed letter signed by your supervisor to the International Student and Scholar Office (ISSO) to certify your immigration status and employment eligibility.
 3. Complete Form SS-5 Application for a Social Security Card.
 4. You must apply in person for a SSN at a local office; you should bring with you a completed SS-5 Form, the letter from the ISSO, your passport, I-94, and I-20.
 5. Request a receipt confirming your application and the date you applied for a SSN.
 6. It typically takes 2 weeks to receive your SSN card in the mail.
 7. Once you have received your SSN, contact the NRA Tax Office to make an appointment in order to complete the hiring process.
- For more information on how to obtain a Social Security Number, see the Social Security Administration website or ISSO handout.

Individual Taxpayer Identification Number - ITIN

- If a foreign national needs a taxpayer identification number and is not eligible for a social security number, then he/she should apply for an ITIN. (e.g., F-2 visa holder who is not authorized to work, but may be claimed on a tax return).
- Dependents of foreign nationals who are eligible to be claimed on a tax return must have an ITIN.