

Important Tax Information for Foreign Nationals

Frequently Asked Questions from Foreign Nationals

Specific Internal Revenue Service (IRS) regulations govern the taxation of payments to nonresident aliens for tax purposes. The rules differ from those governing payments to U.S. citizens, or to resident aliens, who are taxed in the same manner as U.S. citizens.

What is meant by the U.S Tax Residency Rules?

The determination of residency for tax purposes is completely different from that for immigration purposes. It is possible to be a resident alien for tax purposes, while at the same time being a nonresident alien for immigration purposes.

A non-U.S. citizen will be taxed as a resident alien if such individual is a permanent resident (green card test) or meets a substantial presence test for the calendar year. (see Publication 519, "U.S. Tax Guide for Aliens") The substantial presence test is based on the number of days that an individual is physically present in the United States. However, you do not have to count days for which you were an "exempt individual."

For purposes of the substantial presence test:

F, J, M or Q (student) visa holders are "exempt individuals", and not required to count their days of presence towards tax residency in the U.S. for five calendar years, (once in a lifetime exemption).

F, J, M or Q (non-student) visa holders are "exempt individuals", and not required to count their days of presence towards tax residency in the U.S. for two out of the prior six calendar years.

The University Financial Services NRA Tax Compliance Group (UPDS) will determine your tax residency in the U.S. for the University's reporting purposes based on the information that you provide on the Foreign National Information Form (FNIF) and copies of your current immigration documents.

If I am an "Exempt Individual", am I exempt from Taxes?

The term "exempt individual" *does not* mean that you are "exempt" from paying taxes within the U.S. It means that, for any year in which you are classified as an "exempt individual", you are exempt from counting days present in the U.S. towards the determination of your tax residency under the substantial presence test (see IRS Publication 519)

Am I exempt from Federal Social Security and Medicare Tax (FICA)?

During the period that you are exempt from counting your days towards tax residency you may not be subject to FICA taxes (see IRS Publication 519)

If I am receiving employment income, will I be subject to Federal and Massachusetts Income Taxes?

Anyone who earns income for work or services in the U.S. will be subject to federal income tax, in the absence of a tax treaty benefit. Also, anyone who earns income in the Commonwealth of Massachusetts will be subject to state income tax, in the absence of a treaty. The University will withhold a portion of your compensation each time you get

University Financial Services, Nonresident Alien Tax Compliance Group, 1033
Massachusetts Avenue

Contacts:

617-495-8436

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<http://vpf-web.harvard.edu/ofs/tax/>

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paid and submit the withheld amounts to the federal or state government on your behalf. The amounts withheld are based on the amount of wages you earn and how you have completed IRS Form W-4 for federal income tax withholding and MA Form M-4 for state income tax withholding (see IRS Publication 519).

When you prepare your personal income tax return, you will enter such withheld amounts on the line for "income tax withheld" and will receive a credit towards your total tax owed.

*There are special instructions for a non-U.S. Citizen completing the IRS Form W-4, contact University Financial Services at 617-495-8436 or 617-496-9919. (there are no special instructions for nonresident aliens completing Form M-4)

Nonresident aliens cannot claim "Exempt" on IRS Form W-4. If you are claiming exemption due to a treaty benefit, you will be required to complete IRS Form 8233 or Form W-8BEN See IRS Publication 901, "U.S Tax Treaties", and the Instructions to Forms 8233 and W-8BEN.

What are Tax Treaties?

The United States has entered into reciprocal tax treaties with various countries. A treaty may provide some relief from U.S. tax for nonresident aliens for tax purposes. A nonresident alien must be eligible for the benefit to claim a treaty exemption. UPDS analyzes each individual's visa history, type of payments, and specific treaty language to determine if an individual qualifies for a specific treaty benefit (see IRS Publication 901).

The existence of a treaty does not mean that you will automatically qualify for an exemption. You must meet the requirements set forth in the text of the treaty.

How will my income and taxes withheld be reported to me?

Income (taxable and exempt per a treaty benefit) and taxes withheld will be reported to nonresident aliens on IRS Form 1042-S, "Foreign Person's U.S. Source Income Subject to Withholding," or IRS Form W-2, "Wage and Tax Statement" (see IRS Publication 519). - Form 1042-S will be mailed to individuals by March 15th of the following tax year. - Form W-2 will be mailed to individuals by January 31st of the following tax year.

- Nonresident aliens receiving U.S. source income must file a tax return with the Internal Revenue Service (IRS Publication 519).
- Nonresident aliens receiving Massachusetts source income in excess of a threshold amount must file a tax return with the Commonwealth of Massachusetts (<http://www.dor.state.ma.us/personal/personalpub.htm>).

What is a Social Security Number (SSN) and how can I get one?

An SSN is a nine-digit number assigned by the Social Security Administration to an individual for tax and wage reporting purposes. Individuals can apply for an SSN by completing Form SS-5, "Application for a Social Security Card", and appearing in person at the Social Security Administration (SSA) Office. For more information contact the SSA at <http://www.ssa.gov>.

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If you are an F-1 visa holder, and you are *only* receiving scholarship/ fellowship income, you will not be eligible for an SSN. You must obtain an ITIN (Individual Tax Payer Identification Number). For more information about obtaining an ITIN go to www.hio.harvard.edu

I am a non-U.S. Citizen or Permanent Resident who is going to receive payments and/ or reimbursements from Harvard - what do I need to do?

In order for Harvard University to ensure that your payments are subject to the correct tax withholding and reporting, you must provide certain information to the University Disbursements group office prior to your first payment.

Please stop by the University Financial Services Office (1033 Massachusetts Ave, 2nd floor) to be classified for tax purposes in the U.S. Please bring your visa, I-94 card, and the accompanying immigration document that states that you have work authorization at Harvard University.

If you have any additional questions or cannot make it to the University Financial Services office, please contact us.

Per U.S. State Department regulations, F, J, M, or Q visa holders not sponsored by Harvard University must provide a statement from their sponsoring institution or provide an Employment Authorization Document (EAD) granting permission for them to receive service payments from Harvard.

--IRS Publications and Forms can be found at <http://www.irs.gov>

--IRS International Tax question phone number 1-800-829-1040 or type in International Taxpayer on the IRS web site.

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