



## A Tax Guide for International Students

### A Brief Overview of What You Need to Know About Taxes in the United States

#### TAX STATUS

Welcome to the United States! The purpose of this guide is to give you some basic information about taxes in the United States.

Tax rules for international visitors can be quite complex. International visitors pay taxes as residents or nonresidents of the United States, depending on how long they have been in the country and what their immigration status is. There are many distinctions between these different tax statuses, but the most generalized difference is that residents follow the same tax rules and can take advantage of the same tax benefits as U.S. citizens, while most nonresidents cannot. Some nonresidents, however, do qualify for other tax benefits.

**This guide will only address the rules for determining tax status that apply to international students present in the U.S. in F, J, M and Q immigration status.**

Note that the context of the terms “resident” and “nonresident” as used in this document refer to taxation status, NOT immigration status.

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#### DETERMINING TAX STATUS

Because residents and nonresidents are taxed differently in the United States, it is important to determine your correct tax status so you are in compliance with federal tax rules. Nonresidents for tax purposes generally pay a higher rate of federal income tax than residents because they are not entitled to the same tax deductions and reductions as residents are. Tax residency also determines whether an individual will be exempt from Social Security taxes or student retirement deductions.

International visitors to the United States use a formula called the Substantial Presence Test (SPT) to determine whether they have spent enough days in the United States to be considered residents for tax purposes. Once a person meets the SPT, however, it does not mean that person will always be a tax resident. The conditions of the SPT must be met in each subsequent year to





retain tax residency. F, J, M and Q statuses are often called “exempt” or “exempt individual” statuses. This does not mean exempt from taxes, but that an individual in one of these immigration statuses is exempt from counting certain days spent in the United States toward the SPT. Students in F, J, M and Q statuses are exempt from counting days toward the SPT during their first five calendar years in the United States, including prior visits in any of these statuses. Most students will become residents for tax purposes in their sixth calendar year in the United States.

When a person is in a status and a year in which they are permitted to count days toward tax residency, the SPT will add up all of the days spent in the United States during the current year, one-third of the days from the previous year and one-sixth of the days during the second previous year, providing that the time spent in the United States during those previous years is not exempt. If the person is present in the United States at least 31 days during the current year, and the sum of countable days from all applicable years is 183 or greater, this individual will be considered a resident for taxation purposes for the year being tested.

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## TAXABLE INCOME AND RATES

### *Wages*

Wages earned as an employee of the university are subject to graduated tax withholding. All employees are required to complete a Form W-4 withholding allowance certificate. Because international employees may have restrictions that apply to the manner in which the W-4 is completed, they must fill out the W-4 with the guidance of an international tax specialist. The tax on your wages is calculated using the W-4 form along with tax withholding calculations provided to all U.S. employers by the Internal Revenue Service (IRS).

### *Scholarships and Fellowships*

Scholarships and fellowships fall into two categories: qualified and nonqualified. Qualified scholarships and fellowships are amounts that pay directly for tuition, fees, books and mandatory equipment for classes.

Qualified scholarships and fellowships are exempt from taxes. Nonqualified scholarships and fellowships are amounts for room and board, sports/personal equipment, living expenses, medical expenses, travel stipends and other non- mandatory expenses.

Nonqualified scholarships and fellowships are subject to 14 percent federal tax withholding, unless exempt from tax because of a tax treaty (see information related to tax treaties, below). In the State of Colorado, employers are not required to withhold state income tax from these payments. This,





however, does not mean you will not have an obligation to pay state income tax on this type of income. For more information, please contact the [State of Colorado Department of Revenue](#).

Only U.S.-sourced scholarships and fellowships are taxable to nonresidents. Foreign-sourced scholarships and fellowships are nontaxable.

### ***Other income***

This could include honoraria and other awards, personal services, and business income. Other income is subject to 30 percent federal income tax withholding. In the State of Colorado, employers are not required to withhold state income tax from these payments. This, however, does not mean you will not have an obligation to pay state income tax on this type of income. For more information, please contact the [State of Colorado Department of Revenue](#).

### ***\*\*\*Important\*\*\****

Please ensure that you have the proper immigration status and work authorization before engaging in employment or other activities in which you would receive compensation. You may do this by contacting the International Student and Scholars office on your campus.

### ***Tax Treaties***

Tax treaties are agreements between the United States and other countries that eliminate or reduce the tax rate on different kinds of income. Tax treaties are granted based on a variety of conditions. A student must have a Social Security number or taxpayer identification number to apply for a tax treaty benefit. If you think you qualify for a benefit, please contact one of the campus international tax specialists.

### ***Social Security Numbers***

International students who want a Social Security number must first have employment. In order to apply for a Social Security number at the local Social Security Administration office, you will need a letter of employment from your employing department or the International Student and Scholars office, depending on which campus you work. If you do not qualify for a Social Security number, you can apply for an individual taxpayer identification number using a Form W-7. This form can be downloaded from the [IRS website](#).





## FILING INCOME TAX RETURNS

In the United States, a tax year is the same as a calendar year—Jan. 1 through Dec. 31. Throughout the year, we prepay income taxes to the federal and state governments when our employer deducts these taxes from our paychecks on our behalf and sends this money to the Internal Revenue Service (IRS), the U.S. federal taxing authority, and to the Colorado Department of Revenue, the Colorado taxing authority. This money accumulates throughout the year and will eventually be applied to our total individual tax liability, which is determined by many different factors, including the wages we earn during the year as employees.

When the tax year ends, we are responsible for filing our income tax return forms to reconcile our total tax liability with our local and federal taxing authorities. Since a tax year is the same as a calendar year, and we have the ability to earn money in the United States through the very last day of the year, the reconciliation of our taxes is done in the beginning of the following year. For example, we will file 2015 income tax returns in the beginning of 2016. When we file income tax returns, we are telling the IRS and the State of Colorado how much money we earned during the previous year and then comparing what was deducted from us during that year for income taxes to what the IRS and state say we owe. Nonresidents are required to fill out a federal income tax return (Form 1040NR or 1040NR-EZ) and/or a Form 8843 every year except under certain circumstances.

Even if you are not required to file an income tax return, it may be in your best interest to do so to ensure that you receive any refund that may be due to you. Please review the “Can I Use Form 1040NR-EZ” and “Who Must File” sections in the instructions to form 1040NR-EZ to determine whether you are required to file and which form is best for you. These forms and their respective instructions can be found on the [IRS website](#).

You may also be required to file a state income tax return (Colorado Form 104) if you had any taxable income, or if you expect to receive a refund of state income tax that was deducted from your pay. Please review the “Who Must File a Return in the Individual Tax Income” booklet available with the Form 104 at the [Colorado Department of Revenue website](#).

The university does not provide tax preparation services, but there are different avenues for help that may be available to you by contacting your campus’ International Student and Scholars office or one Employee Services’ international tax specialists.

Please remember that all of the information provided here is general. Everyone can have a different situation, even if you are from the same country. You should always contact an international tax specialist with any tax questions.





## INTERNATIONAL TAX SPECIALIST CAMPUS CONTACT INFORMATION

CU-Boulder and UCSS		
Alicia Dandeneau	Alicia.Dandeneau@cu.edu	303-735-0816
Kendra Zafiratos	Kendra.Zafiratos@CU.edu	303-735-5534
CU Denver		
Cathleen Angell	Cathleen.Angell@cu.edu	303-860-4345

