Tax Workshop

for MIT Graduate Students



Presenters



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Disclaimer



This presentation provides general information for educational purposes only.

The content does not constitute legal, business, accounting, or tax advice, nor should it replace independent professional judgment.

Please keep this in mind during our Q&A session.

Agenda

- Sprintax
- Determining Tax Residency
- Filing Requirements
- FICA Taxes
- ITIN for Nonresidents
- Reportable Income
- Tax Treaties
- MIT Distributed Tax Forms
- State Tax Filings
- Tax Scams
- Tax Preparation
- Q&A

Sprintax – Nonresident and Resident Aliens for U.S. Tax Purposes

MIT has partnered with **Sprintax** to provide tools related to taxes for foreign nationals.

Sprintax Calculus

Assists foreign nationals to determine their U.S. tax status and their eligibility for a U.S. Tax Treaty.

- You must update your profile each year you are at MIT. This ensures that MIT withholds the correct amount of tax from your paycheck and sends you the correct income tax reporting forms you need to file your annual tax return.
- If you have a visa status and are paid by MIT through VPF HR/Payroll, you will receive an email with a link and instructions on how to access and complete your profile. After you complete your record, email nratax-payroll@mit.edu.
- vpf.mit.edu/sprintax-faq

Sprintax Returns

Tax return preparation software is provided at no cost to nonresidents for U.S. tax purposes. A paper state tax return can also be prepared in Sprintax for a small fee to be mailed separately.

- The MIT International Students Office (ISO) will provide FREE access to Sprintax Returns to all eligible MIT students in March (to file income tax returns by the mid-April filing deadline).
- Additional information is available on the ISO website: iso.mit.edu/maintaining-status/taxes

Determining Tax Residency

Green Card Test

Lawful permanent resident at any time during the calendar year

Substantial Presence Test

183+ days in the current calendar year

OR

31+ days in the current year AND 183+ days using three-year weighted formula:
(current year + ⅓ prior year + ⅙ year before)

Neither test met and not a U.S. citizen → Nonresident for tax purposes

Key Reminders

- Use Sprintax Calculus to track visa history and presence days
- Nonresident spouses of residents may elect resident status for tax purposes when filing a tax return
- Benefits of resident status include access to deductions and eligibility for credits
- Tax residency ≠ immigration residency

Substantial Presence Test

Who Qualifies As a Student?

Enrolled in an MIT degree or non-degree program including:

- Visiting students
- Special students
- Exchange students

Student Five-Year Exemption

Students (F, J, M, Q visa): Five calendar years in a lifetime

- **Exemption:** Days in the U.S. are not counted toward SPT for five calendar years.
- **Benefit:** Allows students to remain nonresidents for tax purposes during this period.

Any U.S. presence (even one day) during a calendar year counts as a full year towards total five-year exemption limit

Use Form 8843 to document your exemption period

The exemption only applies to SPT calculations, not other tax obligations

Residency Start Date

How to Calculate

Use the earlier of:

- First day of U.S. presence in the year SPT is met
- Date of receiving Green Card

Remember: When both tests are met in the same year, use the earlier date as your residency start date.

Example: J-1 Visa Student

Arrived: September of Year 1

Exempt years: Years 1–5 (five calendar years)

Year 6: No longer exempt

If present from January 1 of Year 6:
→ Meets SPT on day 183
→ Residency start date: January 1, Year 6

Dual-Status Residency

What is it? You have a dual-status tax year when you have been both a resident alien and a nonresident alien in the same year. Dual status does not refer to your citizenship; it refers only to your tax resident status in the United States. In determining your U.S. income tax liability for a dual-status tax year, different rules apply for the part of the year you are a resident of the United States and the part of the year you are a nonresident.

Benefits

- Foreign income earned during nonresident period is exempt
- Eligible for tax treaty benefits during nonresident period

Example: Received Green Card March 1

January 1 – February 28: 1-5 year on a F-1 visa – Nonresident alien
March 1 – December 31: Resident

Filing Requirements — Nonresidents

Must file Form 1040-NR if U.S. income exceeds $0

Must file Form 8843 to claim exemption even if no U.S.-source income

Nonresident Spouse and Dependents

- Each dependent files a separate Form 1040-NR if earning U.S. income
  - Joint returns are not permitted for nonresidents
- File Form 1040-NR for each dependent with U.S.-source income
  - Mail each dependent's form in a separate envelope

Special Option

- A nonresident spouse married to a tax resident can elect to file as a resident — evaluate carefully
  - Consider tax benefits vs. worldwide income reporting

Filing Requirements — Residents

Why File?

- Required to file federal Form 1040 if gross income meets the minimum threshold
  - Filing thresholds depend on your filing status (single, married, head of household, etc.) and gross income
  - irs.gov/individuals/check-if-you-need-to-file-a-tax-return
- Claim refunds from overpaid federal taxes
- Claim refundable credits: earned income, child tax, education

Key Filing Deadlines

Tax year: January 1 – December 31

Federal return due: Generally, April 15

Massachusetts due: Generally, April 15

Other states: Check respective state websites

If April 15 falls on a weekend or holiday, the deadline moves to the next business day. Always confirm the exact date for the current tax year.

IRS Interactive Tax Assistant: irs.gov/help/ita/do-i-need-to-file-a-tax-return

FICA Taxes — Residents

What Is FICA?

Federal Insurance Contributions Act: Payroll tax funding Social Security and Medicare

Employee and employer each pay 7.65%
(6.2% Social Security + 1.45% Medicare)

Applies to all compensation for employment (e.g., wages, salaries)

Residents generally have the same FICA obligations as U.S. citizens.

Student FICA Exemption

Applies when:

- Enrolled at least half time
- Working at their school/university
- On-campus work is incidental to studies

Does NOT apply to:

- Off-campus employment
- Work for other employers
- Non-study-related positions

Foreign students may qualify for the exemption if they become tax residents and meet criteria.

FICA Taxes — Nonresidents

Nonresidents: Must pay FICA taxes (Social Security + Medicare) on wages for services performed in the U.S.
Tax Rate: 7.65% (6.2% Social Security + 1.45% Medicare) withheld from wages.

Nonresident Student FICA Exemption

Nonresidents on F-1, J-1, M-1, or Q visas are exempt from FICA taxes for:

- **On-campus employment:** Up to 20 hrs/week (40 hrs/week during summer vacations); includes RA/TA positions
- **Off-campus employment:** Requires USCIS authorization and Practical Training approval
- **Requirement:** Employment must be at or paid by MIT

Student FICA Exemption Does NOT Apply to:

- Spouses/children on F-2, J-2, or M-2 visas
- Unauthorized employment
- Work unrelated to visa purpose
- Students who change to non-exempt immigration status

FICA Taxes — Quick Reference Chart

Appointment	Tax Status	Visa Type	FICA Withheld?
Grad Student	Resident/Nonresident	All visa types	**NO**
Undergrad Student	Nonresident	All visa types	**NO**
Undergrad Student	Resident	All visa types	**NO**
Employee/Hourly	Nonresident	J1, F1, M1, Q1	**NO**
Employee/Hourly	Nonresident	All other	**YES**
Employee/Hourly	Resident	All visa types	**YES**

ITIN (Individual Taxpayer Identification Number) — Nonresidents

What is an ITIN?

- Required for federal tax filing if not eligible for a Social Security Number (SSN)
- Used by international students/scholars to file U.S. tax returns

SSN Eligibility

- International students/scholars working on-campus at MIT can apply for an SSN
- **Guidance:** Visit the MIT ISO website for SSN application details: iso.mit.edu/employment/social-security-number-ssn

Applying for an ITIN

- Use Sprintax Returns to access Form W-7 (ITIN application)
- If filing with a tax return:
  - Submit a certified copy of your passport from:
    - A Certifying Acceptance Agent (CAA)
    - Local IRS office, home country passport office, or embassy

More information:

irs.gov/individuals/international-taxpayers/acceptance-agent-program

irs.gov/tin/itin/how-to-apply-for-an-itin

Additional Resource

Sprintax ITIN Guide: blog.sprintax.com/how-apply-itin-outside-us

Note: MIT ISO does **not** offer CAA services but will notify students if this changes.

Reportable Income

Residents

Taxed on worldwide income: income from any location (U.S. and foreign sources).

Nonresidents

Taxed only on U.S.-source income; income earned outside the U.S. is not taxed.

Examples of Reportable Income	Reported On
Salaries	Form W-2
Taxable fellowships, scholarships, and grants (covers costs beyond tuition and related expenses)	Form 1042-S for nonresidents Residents do not receive a form
Interest and dividends	Form 1099
Royalties, prizes, and awards	Form 1099
Real estate rentals and sale proceeds	Typically no form issued

Income Source Rules

Income Type	Source Generally Determined By
Salaries, wages, compensation	Where services performed
Business income (services)	Where services performed
Business income (inventory)	Where sold/produced
Interest	Residence of payer
Dividends	U.S. or foreign corporation
Rents / real property sales	Location of property
Royalties (patents, copyrights)	Where property is used
Personal property sales	Seller's tax home
Pensions	Where services were performed that earned the pension
Scholarships / Fellowships	Residence of payer (MIT = U.S.)

https://www.irs.gov/individuals/international-taxpayers/nonresident-aliens-sourcing-of-income

Scholarships, Fellowships, and Grants

Non-Taxable (Qualified)

Must be a degree candidate AND funds used for:

- Tuition and enrollment fees
- Required books, supplies, and equipment

Taxable (Non-Qualified)

- Amounts used for room and board, travel, research expenses, optional equipment
- Service-conditional payments (e.g., RA stipends, postdoc fellowships)

Tax Withholding

Residents: No withholding — you must report taxable portions on your return
Nonresidents: Subject to withholding

IRS Interactive Tax Assistant — determine if your scholarship/fellowship/grant is taxable:
irs.gov/help/ita/do-i-include-my-scholarship-fellowship-or-education-grant-as-income-on-my-tax-return

Scholarships, Fellowships, and Grants — Residents

No MIT withholding on taxable scholarships, fellowships, or grants for **residents**.

Distinct from W-2 Income

- W-2 income is for services (e.g., teaching or research assistantships)
- Scholarships/fellowships are not tied to services unless specified

Taxable Amounts

- Report non-qualified scholarship/fellowship amounts on your tax return as income
- **IRS Guidance:** https://www.irs.gov/taxtopics/tc421

Estimated Tax Payments

- May be required for taxable scholarship/fellowship/grant amounts
- No withholding means you must plan for potential tax liability

Documentation

Recipient's Responsibility:

- Obtain documentation from DLCI to confirm inclusion or exclusion of income
- Example: Letter from MIT stating payment amount and purpose (qualified vs. nonqualified)

Scholarships, Fellowships, and Grants — Nonresidents

U.S. Source Income Type	Taxable as Income	Withholding Required	Form Received
Qualified Scholarship or Fellowship	No	No	None
Non-Qualified Scholarship or Fellowship	Yes	Yes – 14% absent treaty for F-1, J-1, Q, or M visa (otherwise 30%)	1042-S
Prize or Award	Yes	Yes – 30%	1042-S
Compensation	Yes	Yes – varied	W-2
Compensation – non-employee	Yes	Yes – 30% absent treaty	1042-S
Compensation from individual or foreign organization	Yes	No	None
Royalties	Yes	Yes – 30% absent treaty	1042-S

https://vpf.mit.edu/by-topic/general-tax-information/common-income-types

Foreign Income & Assets

Report Worldwide Income

Residents: Taxed on worldwide income, including income sourced outside the U.S.

Examples:

- Investment income (royalties, interest)
- Capital gains from property sales (U.S. and foreign)
- Rental income from foreign property

Foreign Tax Relief

Foreign Tax Credit: May offset U.S. tax liability for taxes paid to foreign governments on foreign income.

- Foreign Tax Credit available via Form 1116

Required Foreign Asset Reporting

Form 8938: Foreign assets exceeding $50,000
FinCEN Form 114 (FBAR): Foreign bank/financial accounts exceeding $10,000 total at any time during the year (includes accounts with signature authority)

Federal Estimated Tax Payments

When Required

You must make estimated payments if:

- No withholding on income received
- Expected tax due is $1,000 or more
- Prior year had a tax liability
- Must pay at least 90% of total tax owed

Common Scenarios:

- Taxable scholarship/fellowship income
- Foreign-sourced income
- Self-employment income
- Investment income
- Part-time work outside of MIT

IRS Publication 505: irs.gov/forms-pubs/about-publication-505

IRS Estimated Taxes Guide:
irs.gov/newsroom/basics-of-estimated-taxes-for-individuals

Due Dates

Residents:

- April 15 (current tax year)
- June 15 (current tax year)
- September 15 (current tax year)
- January 15 (following year)

Nonresidents:

- June 15 (current tax year)
- September 15 (current tax year)
- January 15 (following year)

If a due date falls on a weekend or holiday, it moves to the next business day.

How to Pay:

- **IRS Direct Pay:** irs.gov/payments/direct-pay

Tax Treaties

Tax treaties are agreements between the U.S. and different countries that exempt income taxes on specific types of income, under a period of time or gross amount limitation.

Claiming Treaty Benefits

- Tax treaties can either be applied directly to the payroll payments or claimed with the tax return filing. The benefit is claimed and applied on an annual basis.
- To claim a tax treaty benefit, the Sprintax Calculus record must be completed with all the forms and documents uploaded. Sprintax Calculus will generate all necessary tax treaty forms, and VPF HR/Payroll will submit form 8233 and supporting statement to the IRS.
    - Email nratax-payroll@mit.edu to confirm completing your Sprintax Calculus record or with any tax treaty-related questions.

Fellowships & Residents

- MIT does not withhold taxes on fellowship payments to residents for U.S. tax purposes. Even if the student is eligible for a tax treaty exemption, the tax residency status overrides that, as they are already tax exempt.
- Due to those payments not being taxed, HR/Payroll does not issue a tax form reporting that income. The student is responsible for reporting any taxable fellowship income with their federal tax return. If eligible for a tax treaty, the student can still claim it at that time.

MIT Distributed Tax Forms

Tax Form	Types of Payments Reported	Issued By	How to Access
W-2	Salary and wages (excluding wages that are exempt under a tax treaty)	VPF HR/Payroll payroll@mit.edu	Active students: Atlas Inactive students: MyADP.com Paper copy mailed (if no electronic consent) Available late January
1042-S (foreign nationals only)	Salary and wage payments to foreign nationals covered by a tax treaty Fellowship payments to nonresidents	VPF HR/Payroll payroll@mit.edu	Paper copy: mailed late February Electronic copy: Sprintax Calculus (if previously consented)
	Prizes and awards and summer graduate program fellowships	Accounts Payable b2p@mit.edu	Paper copy: mailed late February
1098-T	Qualified tuition and related payments	Student Financial Services sfs@mit.edu	Electronic copy: MITPay/ECSI (Educational Computer Systems, Inc.) Available late January

vpf.mit.edu/by-topic/tax-forms/types-of-tax-forms-you-may-receive-from-mit

Form 1098-T

What is Form 1098-T?

A tax statement reporting:

- Qualified Tuition and Related Expenses (QTRE) (Box 1)
- Scholarships and grants disbursed during the calendar year (Box 5)

Who Uses It?

- **Residents:** Use Form 1098-T to claim education tax credits (e.g., American Opportunity Credit, Lifetime Learning Credit)
- **Nonresidents:** Ineligible for education tax credits (Form 1098-T is generally not relevant)

When is Form 1098-T Issued by MIT?

Issued to resident and nonresident students only if:

- QTRE (Box 1) exceeds scholarships/grants (Box 5)
- Example: Students who paid out of pocket for tuition not fully covered by scholarships/grants

SFS FAQ: https://sfs.mit.edu/help/faq-topic/1098-t-and-other-tax-forms/

Who Will Not Receive Form 1098-T?

- Non-degree students (e.g., visiting students, executive students)
- Students with 100% scholarship/grant coverage

Massachusetts Tax Filings

Determining MA Residency

Full-Year Residents:

- Maintain a permanent place of abode in Massachusetts, AND
- Spend more than 183 days in MA during the taxable year

Nonresidents: If the above tests are not met

Part-Year Residents: Establish or terminate MA residency mid-year

Filing Requirements

Residents: File MA Form 1 if income exceeds $8,000. Income includes MA and non-MA sources.

- Provide proof of health insurance via Form MA 1099-HC (Individual Mandate)

Nonresidents: File MA Form 1-NR if income exceeds $8,000 and is not exempt under a tax treaty. Income limited to only MA sources.

- Consider filing MA Form 1-NR to claim a refund if income is less than $8,000 and tax was withheld

Part-Year Residents: File MA Form 1-NR/PY if income exceeds $8,000. Taxed on ALL income while resident, MA-source income while nonresident. Deductions prorated by residence period.

Important Note: A federal tax return may still be required, even if filing MA Form 1-NR.

MA Tax Filing Guide: mass.gov/guides/personal-income-tax-for-residents#filing-requirements

Student MA Residency

U.S. Citizens

Generally resident of parents' state if:

- Parents provide over 50% of financial support
- Student remains financially dependent

Non-U.S. Citizens

May be MA resident if:

- Living off-campus
- Not affiliated with MIT
- Maintain permanent place of abode in MA

Example: College Housing

Student in Cambridge during school year + Newton with parents → Newton = principal residence → college rent not deductible

Massachusetts Health Insurance Requirement

Coverage Rules

- All MA residents 18+ must have qualifying affordable insurance
- Insurance must meet minimum coverage standards
- Penalties apply for each month without coverage

Reporting

- Report health insurance coverage on Schedule HC with your tax return
- Form MA 1099-HC provides proof of Massachusetts health insurance coverage for the tax year
    - Form MA 1099-HC supplied by: Employers, insurance companies, Health Connector, plan sponsors
- Foreign Insurance Providers: Coverage must meet MA state requirements for comparable health services

Massachusetts Estimated Tax Payments

When Required

Must pay if estimated MA tax exceeds $400

Payment Schedule:
Four equal installments (25% each):

- **April 15 (current tax year)**
- **June 15 (current tax year)**
- **September 15 (current tax year)**
- **January 15 (following year)**

Return due in the following year

Payment Methods

- Electronic Funds Transfer (EFT)
- Credit card via MassTaxConnect online system
- Mail with Estimated Tax Payment Voucher

Late Payment Consequences:
- Monthly penalty: 1% of tax due
- Maximum penalty: 25% of amount due
- Interest charged on underpayments

MA DOR Estimated Tax Guide:
mass.gov/info-details/massachusetts-dor-estimated-tax-payments

General Requirements of Other States

Resident Form

- 183+ days in state with place of abode
- Taxed on worldwide income

Part-Year / Nonresident Form

- <183 days or no permanent abode
- Taxed on state-source income only

Key Points

- Must file in each state where income is earned
- Tax credits may offset income taxed by multiple states to avoid double taxation
- Example: Moving between states (CA and MA) requires filing in both states

taxadmin.org/state-tax-forms

Tax Scams — Protect Yourself

Common Red Flags

- Demands for instant payment via gift cards, prepaid credit cards, wire transfer, or crypto
- Unsolicited emails, texts, or calls requesting SSN, ITIN, or bank info
- .edu email impersonation targeting international students
- AI-generated phishing emails that appear official and personalized
- Fake tax preparers promising unusually large refunds

irs.gov/newsroom/university-students-and-staff-should-be-aware-of-irs-impersonation-email-scam

Remember

The IRS always communicates first by postal mail — never by phone or email.

Verify any IRS communication through official channels (e.g., irs.gov or phone)

Report scams: irs.gov/help/report-fraud/report-fake-irs-treasury-or-tax-related-emails-and-messages

Tax Preparation Resources

Nonresidents

- Sprintax Returns: MIT-supported software for nonresident federal and state returns
- MIT Nonresident Student Tax Workshop hosted by Sprintax in February/March

Residents

- IRS Free File: Free software for eligible taxpayers (irs.gov/freefile)
- VITA (Volunteer Income Tax Assistance): Free in-person help for qualifying individuals

General

- VPF website (vpf.mit.edu): tax guidance for residents and nonresidents
- IRS tips: irs.gov/newsroom/tips-to-help-taxpayers-choose-a-reputable-tax-return-preparer
- This presentation is available on the VPF website

MIT cannot provide personal tax advice.

Questions?

Thank you for attending!

VPF Tax Website
vpf.mit.edu

HR/Payroll Tax Questions
nratax-payroll@mit.edu