



# Tax Workshop for MIT Graduate Students

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# Presenters

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# Disclaimer

- ▶ The content of this presentation is only intended to convey general information. It is not intended to provide legal, business, accounting, or tax advice and/or opinions.
- ▶ This presentation is intended for educational purposes only and does not replace independent professional guidance or advice.
- ▶ Please keep this in mind during Q&A.

# Agenda

- ▶ Introduction to the Sprintax applications
- ▶ Residency Status
- ▶ Filing Requirements
- ▶ Tax Return Basics
- ▶ FICA for Nonresidents
- ▶ ITIN for Nonresidents
- ▶ Reportable Income
- ▶ Tax Treaty Benefits
- ▶ MIT Distributed Tax Forms
- ▶ State 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 payroll 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 MIT withholds the correct amount of tax from your paycheck and sends you the correct income tax reporting forms you need to file your taxes each year.
  - ▶ 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](mailto:nratax-payroll@mit.edu).
  - ▶ <https://vpf.mit.edu/sprintax-faq>
- ▶ **Sprintax Returns** is a tax return preparation software provided at no cost to nonresidents for U.S. tax purposes and to dual-status residents and can file a paper state tax return for a small fee.
  - ▶ 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 available on the ISO website: <https://iso.mit.edu/maintaining-status/taxes/>

# Residency Status

- ▶ Tax residency is different from immigration residency
- ▶ Resident for U.S. income tax purposes is determined by 2 tests:
  - ▶ Green Card Test
  - ▶ Substantial Presence Test (SPT)
    - ▶ Present in the U.S. for at least 183 days in a calendar year or
    - ▶ Present in U.S. for at least 31 days in a calendar year (but less than 183 days in a calendar year) and for a total of 183 days in a 3-year period using a special formula
- ▶ If neither test is met and not a U.S. citizen → then nonresident for tax purposes
- ▶ Logging in exit and entry dates when leaving the U.S. in Sprintax Calculus will ensure accurate SPT determination
- ▶ Nonresident spouse of resident may elect resident treatment

# Student Exemptions to Residency

- ▶ Definition of student - Includes individuals enrolled in an MIT degree and non-degree (Visiting, Special, or Exchange) program
- ▶ Student 5-year exemption - Exemption from counting days for students on a F, J, M, or Q visa for 5 years even if in the U.S. for at least 183 days during each of the 5 calendar years
  - ▶ The exemption allows students to remain nonresidents for this period of years, thus “exempt” from the substantial presence test
  - ▶ Exemption period is by calendar year - even if only in U.S. 1 day during a calendar year, it counts as a whole year for the 5 year exemption period
  - ▶ Use Form 8843 for assistance in understanding the exemption period
- ▶ Student closer connection exception
  - ▶ Allows foreign students to continue being treated as nonresidents even if they meet the SPT
  - ▶ Student must have a closer connection to a foreign country

# Exemption Period - Nonresidents

## Part III Students

**9** Enter the name, address, and telephone number of the academic institution you attended during 2022: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**10** Enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2022: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**11** Enter the type of U.S. visa (F, J, M, or Q) you held during: 2016 \_\_\_\_\_ 2017 \_\_\_\_\_  
2018 \_\_\_\_\_ 2019 \_\_\_\_\_ 2020 \_\_\_\_\_ 2021 \_\_\_\_\_. If the type of visa you held during any  
of these years changed, attach a statement showing the new visa type and the date it was acquired.

**12** Were you present in the United States as a teacher, trainee, or student for any part of more than 5 calendar  
years? . . . . .  Yes  No  
If you checked the "Yes" box on line 12, you must provide sufficient facts on an attached statement to  
establish that you do not intend to reside permanently in the United States.

**13** During 2022, did you apply for, or take other affirmative steps to apply for, lawful permanent resident status  
in the United States or have an application pending to change your status to that of a lawful permanent  
resident of the United States? . . . . .  Yes  No

**14** If you checked the "Yes" box on line 13, explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



# Residency Start Date

The residency start date is the **earlier** of the dates determined below:

- ▶ Substantial Presence Test (SPT) - the first day you are present in the U.S. during the calendar year
- ▶ Green Card Test - the date you become a lawful permanent resident

Example: A student on a J-1 visa since September 2018:

- ▶ Five calendar years have passed (2018, 2019, 2020, 2021, 2022) that are exempt from the SPT
- ▶ 2023 is the first year not exempt from the SPT. On the 183rd day of 2023, the student met the SPT
- ▶ The residency start date is the first date of the year the student was in the U.S. in 2023

# Dual-Status Residency

In rare circumstances, an individual can claim dual-status residency, meaning he/she was a U.S. tax resident for part of the year, and a nonresident for the other part of the year. This typically occurs when an individual:

- ▶ This typically occurs when an individual:
  - ▶ Enters the U.S. after January 1 during the year the substantial presence is met. Since the start date of residency status is the first day of the calendar year a person is present in the U.S., that person can claim to be a nonresident for the days before they entered the U.S. and a resident for the period after.
  - ▶ Becomes a lawful permanent resident after January 1. The individual may claim to be a nonresident prior to that date.
- ▶ Why claim dual-status?
  - ▶ Exemption on income earned outside the U.S. during nonresident period
  - ▶ Tax Treaty Benefits

# Filing Requirements - Residents

## Tax Year 2022 Filing Thresholds by Filing Status

<b>Filing Status</b>	<b>Taxpayer age at the end of 2022</b>	<b>A taxpayer must file a return if their gross income was at least:</b>
single	under 65	\$12,950
single	65 or older	\$14,700
head of household	under 65	\$19,400
head of household	65 or older	\$21,150
married filing jointly	under 65 (both spouses)	\$25,900
married filing jointly	65 or older (one spouse)	\$27,300
married filing jointly	65 or older (both spouses)	\$28,700
married filing separately	any age	\$5
qualifying surviving spouse	under 65	\$25,900
qualifying surviving spouse	65 or older	\$27,300

# Filing Requirements - Nonresidents

- ▶ There is no personal exemption amount for 2023. Any nonresidents who have received taxable earnings or any income over \$0 will have a federal filing requirement (Form 1040-NR and Form 8843)
- ▶ Nonresident spouse and dependents
  - ▶ Same filing requirements
  - ▶ No joint returns for nonresidents
- ▶ Nonresident can elect to file as resident when married to a tax resident- but weigh options first

# Filing Requirements

- ▶ You may be entitled to a tax refund if you overpaid federal income taxes throughout the year or qualify for a refundable credit (e.g., earned income credit, additional child tax credit, American opportunity credit)
- ▶ IRS Interactive Tax Assistant:  
[www.irs.gov/help/ita/do-i-need-to-file-a-tax-return](https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return)
- ▶ Filing Options: E-file or paper file
- ▶ Tax year follows calendar year (January 1, 2023 - December 31, 2023)
- ▶ Federal Deadline: April 15, 2024 (later if the 15th falls on weekend or holiday)
- ▶ Massachusetts: April 15, 2024 (later if the 15th falls on weekend or holiday)
- ▶ States: See respective state website
- ▶ Residents and Nonresidents: Use Form 1040-X to amend your previously filed returns

# FICA Taxes - Residents

- ▶ Federal Insurance Contributions Act (FICA) - A federal payroll tax that funds Social Security and Medicare.
- ▶ Tax applies to all remuneration for employment (W-2 employees)
- ▶ Tax paid by both employees and employers.
  - ▶ The employee and employer each pay 6.2% for Social Security and 1.45% for Medicare, for a total of 7.65% each.
- ▶ Residents are required to pay FICA taxes
  - ▶ Student FICA Exception
    - ▶ No FICA tax for services performed by students employed by a university where student is enrolled at least half-time.
    - ▶ On-campus employment must be incidental to and for the purpose of pursuing a course of study.
    - ▶ Foreign student who becomes a resident may be eligible for exemption if qualified. Off-campus jobs or working for other employers do not qualify.

# FICA Taxes - Nonresidents

- ▶ Nonresidents must pay FICA on wages paid to them for services performed by them in the United States
- ▶ Student Exception: Nonresident students are exempt from FICA on wages paid to them for services performed within the United States. Exempt employment includes:
  - ▶ On-campus student employment up to 20 hours a week (40 hrs. during summer vacations)
  - ▶ Off-campus student employment allowed by United States Citizenship and Immigration Services (USCIS)
  - ▶ Practical Training on or off campus (e.g. internships)
- ▶ Limitations on exemption:
  - ▶ Does not apply to spouses and children with F-2, J-2, or M-2 status
  - ▶ Does not apply to employment not allowed by USCIS or to employment not closely connected to the purpose for which the visa was issued
  - ▶ Does not apply to F-1, J-1, or M-1 students who change to another immigration status which is not exempt or change to a special protected status
  - ▶ Does not apply to F-1, J-1, or M-1 students who become residents - but see Student FICA exception for residents

# FICA Taxes - Chart

Appointment	Tax Status	Registration Status	Visa Type	FICA Withheld
Grad Student	n/a	n/a	n/a	NO
Undergrad Student	Nonresident	n/a	n/a	NO
Undergrad Student	Resident	Registered student	n/a	NO
Undergrad Student	Resident	Student ineligible to register	n/a	YES
Employee/Hourly	Nonresident	n/a	J1, F1, M1, Q1	NO
Employee/Hourly	Nonresident	n/a	All other visas	YES
Employee/Hourly	Resident	n/a	All visas	YES



# Individual Taxpayer Identification Number (ITIN)

- ▶ Required when filing federal return but do not have a social security number
- ▶ Use Sprintax Returns to access ITIN application (Form W-7)
- ▶ If filing an ITIN application with tax return, **the rules change** and a copy of passport needs to be certified by a Certifying Acceptance Agent (CAA), or local Internal Revenue Service (IRS) office/home country passport office/embassy
  - ▶ <https://www.irs.gov/individuals/international-taxpayers/acceptance-agent-program>
- ▶ ISO does not have CAA services but will notify students if that changes
- ▶ See Sprintax ITIN blog for further information: <http://blog.sprintax.com/how-apply-itin-outside-us/>

# Reportable and Taxable Income

- ▶ Residents are taxed on worldwide income i.e., income from any location (U.S. and foreign)
- ▶ Nonresidents are taxed only on U.S. source income which means income earned outside the U.S. is not taxed
- ▶ Examples of income: Salaries (reported on Form W-2), Taxable fellowships, scholarships, and grants covering costs other than tuition and tuition related expenses (Reported on Form 1042-S or none), interest and dividends (Reported on Form 1099-INT or 1099-DIV), royalties, prizes, and awards (Reported on Form 1099-MISC), Real estate rentals and sale proceeds (none)
- ▶ Tax Rates on income: <https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2023>
- ▶ Use Form W-4 on Atlas to change your withholding rate for payments from MIT: <https://vpf.mit.edu/tax-withholding>

# Foreign Income and Assets - Residents

- ▶ Resident taxpayers are subject to income from all sources, even income fully earned and sourced to another country
- ▶ Foreign source income may be offset by the Foreign Tax Credit
- ▶ Foreign Assets - Form 8938 - \$50,000 or more
- ▶ Foreign Bank Accounts - FinCEN Form 114 (“FBAR”) Threshold - \$10,000 in all bank/financial accounts over which you have signature authority

# Income Source

- ▶ <https://vpf.mit.edu/by-topic/general-tax-information/us-and-foreign-sourced-income>
- ▶ Salaries, wages, other compensation = Where services performed
- ▶ Business income: personal services = Where services performed
- ▶ Business income: sale of inventory/purchased = Where sold
- ▶ Business income: sale of inventory/produced = Where produced (allocation may be necessary)
- ▶ Interest = Residence of payer
- ▶ Dividends = Whether a U.S. or foreign corporation (some exceptions)
- ▶ Rents and Sale of real property = Location of property
- ▶ Royalties: Patents, copyrights = Where property is used
- ▶ Sale of personal property = Seller's tax home (some exceptions)
- ▶ Pensions = Where services were performed that earned the pension
- ▶ Scholarships/Fellowships = Generally, the residence of the payer

# Scholarships, Fellowships, and Grants

- ▶ Payments not conditioned on the performance of services
- ▶ Non-Taxable “Qualified” Payments:
  - ▶ degree candidate, *and*
  - ▶ amounts received are used to pay tuition and fees for enrollment, or for books, supplies, and equipment required for courses
- ▶ Taxable “Non-Qualified” Payments:
  - ▶ all other amounts, such as amounts used for room and board, travel, research, and equipment not required for a course, or providing services to MIT
  - ▶ amounts received for services that are required as a condition of receiving the otherwise qualified amount (e.g., research assistant stipend amount, postdoctoral fellowship)
  - ▶ Residents = not subject to tax withholding so no tax forms from MIT (unless student is a W-2 employee)
  - ▶ Nonresidents = subject to tax withholding so students may receive Form 1042-S (or W-2 if student is an employee) from MIT
- ▶ IRS Interactive Tax Assistant -<https://www.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, and grants to residents
- ▶ Not the same as income on Form W-2 (received from payroll) where students provide a service as an employee (e.g., working as a teaching assistant or research assistant)
- ▶ If a “non-qualified” taxable payment (covering non-tuition related expenses), then report on tax return
- ▶ Estimated tax may be required for these payments if you expect to owe \$1,000 or more in Federal taxes (\$400 in Massachusetts) and your withholding is not enough to cover the tax
- ▶ Since no MIT withholding, responsibility is on recipient to obtain documentation to substantiate income inclusion or exclusion
  - ▶ E.g., letter confirming payment amount and purpose of funds which determines taxability of the payment
- ▶ Reach out to DLC if documentation is needed

# 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	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?active=215>

# Estimated Tax Payments

If you expect to owe taxes on income not subject to tax withholding, you may need to pay quarterly estimated taxes to the IRS and any applicable state to avoid penalties.

- ▶ Federal: \$1,000 or more in taxes and withholdings are expected to cover less than 90% of tax due
- ▶ Massachusetts: \$400 or more in taxes
- ▶ Use Form 1040-ES for assistance computing estimated tax amounts:  
<https://www.irs.gov/forms-pubs/about-form-1040-es>
- ▶ Pay online: <https://www.irs.gov/payments>
- ▶ Examples: you received taxable scholarship/fellowship income (U.S. or foreign), significant foreign-sourced income, you are self-employed, you have investment income, you have performed part-time work outside of MIT
- ▶ [www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes](https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes)
- ▶ Overpayments can be claimed as a refund on the tax return



# Tax Treaties

- ▶ Tax treaties are agreements between the U.S.-and different countries to exempt income taxes on specific type of income, under a period of time or gross amount limitation
- ▶ A tax treaty can either be applied directly to the payroll payments or claimed when filing tax returns. 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
  - ▶ E-mail [nrtax-payroll@mit.edu](mailto:nrtax-payroll@mit.edu) to confirm completing your Sprintax Calculus record or with any tax treaty-related questions
- ▶ 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. Since those payments are not taxed, HR/Payroll does not issue a tax form reporting that income. The student is responsible to report any taxable fellowship income on their federal tax returns.

# Form 1098-T

- ▶ Form 1098-T is a tax related tuition statement reporting payments of qualified tuition and related expenses (QTRE), and scholarships and grants disbursed during the calendar year.
  - ▶ Residents use the 1098-T to claim education tax credits
  - ▶ Nonresidents are ineligible to claim education tax credits, so the 1098-T is generally not relevant to them
- ▶ MIT only issues Form 1098-T to MIT **resident and nonresident** students whose QTRE (box 1) exceeds scholarships and grants (box 5) for the calendar year.
  - ▶ Nonresidents who have not received the 1098-T may request it from Student Financial Services if the above condition is met (i.e., amount in box 1 exceeds box 5)

# Form 1098-T, Continued

- ▶ The following students will not receive Form 1098-T:
  - ▶ Students enrolled in courses that do not lead to a post-secondary degree at MIT (e.g., visiting students & executive education students)
  - ▶ Students whose QTRE is 100% covered by scholarships and grants during the calendar year
- ▶ Form 1098-T is available electronically via MITPAY at the end of January.  
<https://vpf.mit.edu/irs-form-1098-t-tuition-statement-faq>
- ▶ Residents: Education tax credits are refundable up to \$1,000

# MIT Distributed Tax Forms

Tax Form	Types of Payments Reported:	Issued by:	How to Access:
W-2	<i>Salary and wage</i> excluding wages that are exempt under a tax treaty	VPF HR/Payroll <a href="mailto:payroll@mit.edu">payroll@mit.edu</a>	Active students - Atlas  Inactive students - MyADP.com  Paper Copy Mailed (if no electronic consent)  Available late January
1042-S (foreign nationals only)	<i>Salary and wage payments</i> to foreign nationals covered by a tax treaty	VPF HR/Payroll <a href="mailto:payroll@mit.edu">payroll@mit.edu</a>	Payroll Paper Copy - Mailed Late February  Electronic copy - Sprintax Calculus (if previously consented), HR/Payroll
	<i>Fellowship payments</i> to foreign nationals which had federal income tax withheld		
	Prizes and awards and summer graduate program fellowships	Accounts Payable (AP)	AP Paper Copy - Mailed Late February
1098-T	<i>Qualified tuition and related payments</i>	Student Financial Services <a href="mailto:sfs@mit.edu">sfs@mit.edu</a>	Electronic - ECSI (Educational Computer Systems, Inc.) - Available February 1

# Massachusetts Tax Filings

- ▶ For Massachusetts (MA) state income tax, you are a full-year resident if you
  - ▶ maintain a permanent place of abode in MA and you spend more than 183 days of the taxable year in MA
- ▶ If the criteria above are not met, you are generally a nonresident for MA income tax purposes
  - ▶ If your income is more than \$8,000 and the income is not exempt from tax under a treaty, file MA Form 1-NR, if you are a nonresident.
  - ▶ If your income is less than \$8,000, consider filing MA Form 1-NR to claim a refund of any tax withheld
- ▶ Part-year residents file Form 1-NR/PY
- ▶ Residents file MA Form 1

<https://www.mass.gov/guides/personal-income-tax-for-residents#filing-requirements>

# Massachusetts Tax Filings, Continued

- ▶ Permanent place of abode depends on the type of housing. If you live off-campus and are not affiliated with MIT, you may be deemed to have a permanent place of abode in Massachusetts, if you are a non-U.S. citizen
- ▶ U.S. citizens financially supported by their parents are generally deemed to be residents of the state of their parents' residency
  - ▶ Unless a U.S. citizen student provides more than one-half of his or her own financial support, he/she is likely supported by parents
- ▶ Form 1099-HC is not attached to the Massachusetts return, but residents and part-year residents will need its information to complete Schedule HC of the tax return

# Other States

If you worked or were a student in more than one state (e.g., CA and MA) in the same year because you moved from one state to another, you may be required to file tax forms in each state.

- ▶ Nonresident/Part-year resident - Generally less than 183 days present in a state or no place of abode (rental apartment, home, or similar dwelling)
  - ▶ Taxed on only income earned in the state and/or all income received or earned during part-year residency
- ▶ Resident - Living in a state, or more than 183 days presence, with place of abode
  - ▶ Taxed on income from all sources
- ▶ Check for reciprocity and non-reciprocity agreements
- ▶ Tax credits may be available on income taxed by both states
- ▶ <https://taxadmin.org/state-tax-forms/>

# Healthcare Forms

- ▶ Form 1095-B reports information to the IRS about individuals receiving insurance coverage from an insurance company or other provider
  - ▶ Health Insurance purchased directly from a foreign insurance issuer or provided by a foreign government must be recognized by the U.S. Department of Health & Human Services:  
<http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/minimum-essential-coverage.html>
- ▶ MA Form 1099-HC provides proof of MA health insurance coverage during the tax year
  - ▶ Health insurance coverage from a foreign provider must meet MA state requirements for comparable coverage of health services - waiver requests will be reviewed by Gallagher Student Health <https://www.gallagherstudent.com/students/student-home.php?idField=1424>



# Tax Scams

- ▶ Use caution and common sense
- ▶ IRS will never ask for personal details without proper communication
- ▶ IRS is not seeking to penalize anyone they just want to make sure that the fair and correct taxes are paid on time
- ▶ Tax scams generally have the same format (internationally!)
  - ▶ Money Owed
  - ▶ “Instant” payment will make the problem go away
  - ▶ Voucher/prepaid credit card reference preferred payment option

# Tax Preparation

- ▶ MIT will offer additional tax workshops for residents and nonresidents in February/March 2024 to cover tax year 2023.
- ▶ Presentations held in 2023 are posted to the [Tax Guidance for Nonresident Aliens](#) and [Tax Guidance for U.S. Residents](#) pages of the VPF website. This presentation will be made available online in the coming weeks.
- ▶ The VPF website has tax guidance and information for both residents and nonresidents.
- ▶ MIT is unable to provide personal tax advice. MIT ISO provides Sprintax Returns (tax preparation software) to nonresident students.
- ▶ IRS tips for selecting tax preparer: <https://www.irs.gov/newsroom/tips-to-help-taxpayers-choose-a-reputable-tax-return-preparer>

# Q&A