Nonresident Alien Tax Issues and the GLACIER System

A Primer

April 4, 2014
Objectives

- Review Nonresident Alien tax issues
- Online Demonstration
- Pay Period Implications to International Students
Basic Tax and Immigration Concepts

- For U.S. tax purposes there are four categories of individuals:
  1. U.S. Citizens (U.S. born, Naturalized)
  2. Permanent Residents and immigrants such as asylees, refugees, persons in temporary protected status
  3. Resident Alien for tax purposes
  4. Nonresident Alien for tax purposes
Basic Immigration Categories

• For U.S. immigration purposes we have:

1. Immigrant Alien = intend to reside in U.S. indefinitely
   - Permanent Residents or
   - Refugee, Asylee, Temporary protected status

2. Non-Immigrant Alien = present in U.S. for a temporary period of time
USCIS Definitions vs. IRS Definitions

**Immigration (USCIS)**
- U.S. Citizen
- Permanent Resident
- Non-Immigrant Alien

**Tax (IRS)**
- U.S. Citizen
- Resident Alien (RA) or Nonresident Alien (NRA)
Visa Categories Common to TAMU

- Non-Immigrant Alien status persons who receive payments from TAMU:
  - **Payroll**: F-1 Student, J-1 Student, J-1 Non-student, J-2 Dependent of J-1, H-1B Temporary professional worker in specialty occupation, L-2 Spouse of L-1, O-1 Extraordinary ability alien, TN-1 Canadian holder of Trade NAFTA visa, TN-2 Mexican holder of Trade NAFTA visa, A-1, O-1 etc. etc.
Visa Categories Common to TAMU

• Non-Immigrant Alien status persons who receive payments:
  – **Accounts Payable**: B-1 Visitor for business, B-2 Visitor for tourism, W-B/W-T Visa Waiver business or tourist, J-1’s sponsored by other institutions, H-1B and O-1 sponsored by other institutions, F-1 student, J-1 students/scholars

  Be aware of restrictions:
  9/5/6 Rule for B-1/B-2 and VW, J-1 need permission letter, other H1 & O1 can only be reimbursed expenses, etc.
Special Handling Payments at TAMU

- Non-Immigrant Alien status persons who receive payments:
  - **COMPASS**: F-1 and J-1 students receiving non-service scholarship, fellowship, and stipends
  - Students need to understand they *will be billed* for the tax. Unlike payroll, there is no withholding prior to disbursement
  - Multiple GLACIER accounts are possible
Why must tax residency status be determined?

• U.S. Tax System ("normal" tax regulations)
  – U.S. Citizen
  – Permanent Resident Alien
  – Resident Alien for Tax Purposes

• Nonresident Alien Tax System (special tax regulations apply)
  – Nonresident Alien for Tax Purposes
Tax Residency Status

• Resident Alien for Tax Purposes:
  – Taxed like a U.S. Citizen
  – Taxed on worldwide income
  – Can complete W-4 in any manner they wish
  – Withholding calculation using standard tables
  – Not exempt from SS and Med Taxes (unless Student FICA, SS Totalization Agreement)
  – Standard or itemized deduction, claim personal exemptions for self and eligible dependents
  – Report payments on W-2, 1099, could receive 1042-S
Tax Residency Status- the Non Resident Alien (NRA)

- Nonresident Alien for Tax Purposes
  - Taxed under NRA regulations
  - Taxed on U.S. source income only
  - Complete special NRA form W-4 as Single (regardless of marital status) and one allowance (few exceptions)
  - Tax Treaty for personal services claimed on IRS Form 8233
  - Independent personal services, royalties, scholarships/fellowships, prize & awards taxed at 30%, unless:
    - Applicable tax treaty is available AND invoked by the recipient
    - The recipient is eligible for a reduced tax rate as defined by their Visa type
Tax Residency Status-NRA

• Nonresident Alien for Tax Purposes (continued)
  – Some non-service scholarship/fellowships taxed at 14% (unless there is a tax treaty and Form W-8BEN is SUBMITTED)
  – No standard deductions (except students & business apprentices from India), may claim one personal exemption for self (some exceptions for dependents)
  – Limited itemized deductions
  – Report payments on W-2, 1042-S (never 1099)
Important tax rules

- Federal Income tax (FIT)
  - Only exempt from FIT withholding if eligible and properly claim tax treaty benefit on applicable IRS Form 8233 or W-8BEN

- Exempt from Social Security and Medicare tax
  - Exempt if NRA and F-1, J-1, M-1 or Q-1 status
  - Exempt if meet Student FICA exemption
  - FICA is never exempted by a tax treaty
How is U.S. tax residency status determined?

- **Green Card holder**
- **Individual treated as a U.S. Permanent Resident Alien for tax purposes during any time of the calendar year if:**
  - Has been granted lawful permanent resident status in U.S.
  - Temporary protected status, refugee, or asylee
Calculating U.S. tax residency status or “why I like (love) GLACIER”

- **Substantial Presence Test (SPT)**
- Also known as the 183 day rule
- Must be present for at least 31 days in current calendar year and 183 ‘days’ in 3 year period
- SPT calculated as follows:
  - Days present in U.S. during the current calendar year
  - + 1/3 days present in U.S. during first preceding year
  - + 1/6 days present in U.S. during second preceding year

\[
\text{Total days present for substantial presence test}
\]
I’m not a mathematician

- If the total number of days for tax purposes is 183 or more, then individual is a Resident Alien for U.S. Tax Purposes

- If the total number of days for tax purposes is 182 or less, then individual is a Nonresident Alien for U.S. Tax Purposes
It’s the IRS, so there is no clear answer

- However, there are exceptions to the SPT!
- Exempt individuals (exempt from counting days toward the SPT calculation)
  - Students in F, J, M, Q status are exempt from counting days for five calendar years
  - J non-student status (teacher, researcher, short-term scholar…) are exempt from counting days for two calendar years (2 out of the current and previous 6 years)
The GLACIER Process

Click on the Image Above to Enter GLACIER
or Login Now

GLACIER supports Internet Explorer 4.0 or above (Windows only).
Firefox 1.0 or above (Windows only).
Javascript must be enabled to use GLACIER.

Please direct any questions about using GLACIER to support@online-tax.net

GLACIER is a product of Arctic International LLC.
For more information about other Nonresident Alien Tax Compliance Products, see

THAWTE AUTHENTIC SITE Click to Verify Secured by SSL
What is GLACIER?

- A web-based tool used by institutions that make payments to foreign individuals and companies.
- Helps collect information to determine tax residency status & tax treaty eligibility for resident and nonresident aliens.
- Helps in managing paperwork, maintaining data, and filing reporting statements to the IRS.
Why does TAMU use GLACIER?

• The GLACIER Online Tax Compliance System is an efficient and effective way to manage tax liability.

• To comply with strict IRS regulations and U.S. tax laws regarding payments to individuals who are not U.S. citizens or not U.S. permanent residents.
Benefits of GLACIER

• To insure proper taxation of payments to foreign nationals and to apply tax treaty benefits correctly for individuals who are eligible.

• To calculate foreign individuals’ tax residency status for U.S. tax purposes (applies the SPT).
GLACIER should be used by:

- Any individual who is **not** a U.S. Citizen
  
or
- **Not** a U.S. Permanent Resident
  
  and
- Who will be receiving any type of payment from TAMU
GLACIER should be used by:

- Students receiving Non-Service Scholarships or Fellowships (tuition waivers)
- Employees receiving salaries or wages
- Speakers receiving honoraria
- Consultants receiving consulting fees
- Recipients of royalties, prizes, etc.
- Any combination of the above
How does it work?

- Individual obtains password to access GLACIER.
- Individual enters personal information in GLACIER.
- GLACIER calculates U.S. tax residency status and determines any tax treaty eligibility based on information provided by the individual.
What does GLACIER issue?

- GLACIER completes and prints the appropriate tax forms (Tax Summary Report, W-4, W-9, Form 8233, W-8BEN, W-7).

- Individual submits forms AND required copies as instructed on the Tax Summary Report.

- Payment to individual can now be taxed and reported properly based on the information provided by the individual.
GLACIER Tax Summary Report
How do (TAMU) foreign individuals get access to GLACIER?

• For Employment (compensation) purposes
  Hiring department requests password be set up for employee via email to Payroll.

• For Non-service Scholarship/Fellowship purposes
  The student must request a GLACIER account once they have been billed International Withholding Tax.
How do foreign individuals get access to GLACIER?

• For Prize/Award
  Accounts Payable sends an email with temporary user ID and password to allow completion of GLACIER.
  If a GLACIER account already exists for the individual, an email instructs them to update their current account.

• For Speaker fees, Consulting Fees, Royalties
  Department request password be set up via email to Accounts Payable (FMO).
Important Notes

- It is important to monitor residency change dates to ensure payments are taxed and reported appropriately.
- Individuals must update GLACIER record and report changes such as:
  - Change in immigration status
  - Days of presence in or out of the U.S.
  - Any updated forms MUST be sent to Payroll

These changes could have tax consequences, both to the individual, as well as TAMU!
## Foreign National Visa Matrix

<table>
<thead>
<tr>
<th>Visa Type</th>
<th>Visa Definition</th>
<th>Related Authorization Documents</th>
<th>Independent Contractor Yes/No</th>
<th>Speaker's Fees/Honorarium Yes/No</th>
<th>Employment Yes/No</th>
<th>Travel Reimbursement including Meal Allowance - see explanation in table below</th>
<th>Prize/Award, Royalty, Rent Yes/No</th>
<th>Non-travel Business Expense Reimbursement Yes/No</th>
<th>GLACIER Use Yes/No</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-1/W-B</td>
<td>For Business</td>
<td>Passport, Visa, and I-94</td>
<td>No</td>
<td>Yes, with Restrictions/GLACIER</td>
<td>No</td>
<td>Yes, under the Accountable Plan with receipts</td>
<td>Yes, 30% tax withholding/GLACIER</td>
<td>Yes, with receipts</td>
<td>Yes</td>
</tr>
<tr>
<td>B-2/W-T</td>
<td>For Tourism</td>
<td>Passport, Visa, and I-94</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes, under the Accountable Plan with receipts. May only pay fee for 9 days of activity - see 9-3-6 rule below</td>
<td>Yes, 30% tax withholding/GLACIER</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>B-1</td>
<td>For Business</td>
<td>Passport, Visa, and I-94</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No - not in the U.S. for business purpose</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>B-2</td>
<td>For Business</td>
<td>Passport, Visa, and I-94</td>
<td>Yes/GLACIER</td>
<td>No</td>
<td>No</td>
<td>Yes, under the Accountable Plan</td>
<td>Yes, 30% tax withholding/GLACIER</td>
<td>Yes, with receipts</td>
<td>Yes</td>
</tr>
<tr>
<td>J-1</td>
<td>Exchange Visitor/Short Term DS2019 Non TAMU Sponsored</td>
<td>Passport, Visa, and I-94</td>
<td>[1] Yes, with restrictions/GLACIER</td>
<td>[1] Yes, with restrictions/GLACIER</td>
<td>No</td>
<td>Yes, under the Accountable Plan</td>
<td>Yes, 30% tax withholding/GLACIER</td>
<td>Yes, with receipts</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Contact Accounts Payable, Individual Reimbursements at it@tamu.edu

#### Students
- Passport, Visa, I-94 and Form I-20 A/B EAD required for USCIS-authorized off-campus work and for OPT. Notification of Form I-20 required for CPT.
- Yes, under the Accountable Plan traveling as an employee on University business.
- Yes, 30% tax withholding/GLACIER.
- Yes, with receipts.

#### J-1
- Passport, Visa, I-94, and EAD.
- No
- Yes/GLACIER
- Yes under the Accountable Plan traveling on University business not as an employee.
- Yes, 30% tax withholding/GLACIER.
- Yes, with receipts.

#### H-1B
- Temporary Worker in a Specialty Occupation.
- No
- Yes/GLACIER
- Yes under the Accountable Plan traveling as an employee on University business.
- Yes, for TAMU employees only.
- 30% tax withholding/GLACIER.
- Yes, with receipts.

### Other
- Must update GLACIER for prize/award payment, already in as an employee.

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**Note:**
- The table above outlines the foreign national visa matrix, including requirements and guidelines for different visa types. The matrix also includes information on travel reimbursement, tax withholding, and GLACIER use.
- For more detailed information, contact Accounts Payable, individual reimbursements at it@tamu.edu.
## Foreign National Visa Matrix

<table>
<thead>
<tr>
<th>Question</th>
<th>No Documentation</th>
<th>Yes, GLACIER</th>
<th>Yes, 30% tax withheld/ GLACIER</th>
<th>Yes, with receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person of Extraordinary Ability, Texas A&amp;M University Employee</td>
<td>Passport, Visa</td>
<td>No</td>
<td>Yes, GLACIER</td>
<td>Yes, with receipt</td>
</tr>
<tr>
<td>Nonresident Alien Taxpayer</td>
<td>Passport, Visa</td>
<td>No</td>
<td>Yes, GLACIER</td>
<td>Yes, with receipt</td>
</tr>
<tr>
<td><strong>Dependent on Primary Visa Purpose</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T1</td>
<td>Trade NAFTA Texas A&amp;M University Employee</td>
<td>Passport with T1 stamp, possible T1 Visa</td>
<td>No</td>
<td>Yes, GLACIER</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

The Accountable Plan for travel reimbursement requires the following: Receipts must be provided for lodging and travel expenses (airline, rail, automobile, bus). Itemized expenses for meals up to T1 state limit per day may be reimbursed without receipts. Itemized expenses exceeding T1 state limit per day must be documented with receipts. Individual meal expenses over $175 per day must require a receipt and proper departmental authorization. No individual may be reimbursed on items that include alcohol purchases unless the TAMU account providing the reimbursement permits payment of alcoholic beverages.

**5-8-9 Rule:** A guest may not be paid a travel or meal at the institution excess 5 days OR they have received more than 5 honorarium payments in the past 6 months. A guest who stays more than 9 days at Texas A&M OR who has already received payments at 3 other universities or venues in the last 6 months is eligible to receive an honorarium payment. They may receive travel reimbursement as listed above.

**c:** Written permission is required for payment. This permission must come from the responsibility officer (RO) at the institution that sponsored the J-1 visa holder. It may NOT be from their department of supervision. If the J-1 visa holder is sponsored by a Texas A&M University System member, that member's RO must issue the letter approving payment.


If a guest's visa type is not listed above, please contact Accounts Payable, Individual Reimbursements at [apayables@tamu.edu](mailto:apayables@tamu.edu) or Payroll Services at [payroll@tamu.edu](mailto:payroll@tamu.edu).
Important Reminders

• If you hire an individual who is **NOT** a U.S. Citizen or a U.S. Permanent Resident (or if you are not sure), you must request a password for the individual to access the GLACIER tax compliance system.

• Remember only you know who you are hiring!
Dire Consequences

• ANY changes in immigration status, extensions and departures could have tax consequences, both to the individual, as well as TAMU!
Defining a Pay Period for your Foreign National Student

• Students are limited to 20 hours per work week while classes are in session.
• This is NOT an average of 20 hours per week within a two week pay period.
• TAMU pay weeks run Thursday to Wednesday.
• Why is this important? A student could compromise their immigration status by exceeding these immigration regulations.
Any Questions?

• Individual Tax Compliance and Reporting  
  – Andrea Meyer  
  – 862-1271  
  – internationaltax@tamu.edu

Thank you!