

U.S. TAX INFORMATION FOR NONRESIDENT ALIEN STUDENTS

The Internal Revenue Service (IRS), the U.S. Government taxing authority, has issued strict regulations regarding the taxation and reporting of payments made to non-United States citizens. As a result, the Nevada System of Higher Education ("NSHE") may be required to withhold U.S. income tax and file reports with the IRS in connection with payments made by the NSHE to students who are not U.S. citizens or permanent resident aliens (green card holders) and who receive financial aid, scholarships, fellowships, awards, or compensation for services performed.

The NSHE must determine whether you will be treated as a "resident alien" or "nonresident alien" for U.S. tax purposes. The substantial presence test is used to calculate the number of days that a student is present in the U.S. and determine whether the individual is a nonresident alien or resident alien for purposes of calculating U.S. tax withholding. Students present in the U.S. on F-1 or J-1 visas are usually considered to be nonresident aliens for the first five calendar years that they are present in the U.S., the NSHE is generally required to withhold taxes from all payments made to nonresident aliens. In order for the NSHE to make this determination, you must complete the *Alien Information Collection Form* and submit it to the Nonresident Alien Tax ("NRAT") Specialist during your appointment. The NSHE is also required by law to report to the IRS all payments made to a nonresident alien, or to a third party on his or her behalf, regardless of whether the payment is subject to U.S. tax.

Nontaxable items consist of the following:

- Tuition
- Book allowance
- Required registration fees
- Mandatory health insurance fees

Taxable items include, but are not limited to, the following:

- Room and board
- Fellowship stipend (which does not require a service to be performed)
- Living allowance
- Cash award
- Travel payment/reimbursement
- Compensation (including a fellowship stipend that does require a service to be performed)

The U.S. has income tax treaties with a number of foreign countries. Certain taxable payments made by the NSHE may be exempt from U.S. tax based on an income tax treaty entered into between the U.S. and your country of residency. The existence of a tax treaty does not automatically ensure an exemption from taxation; rather, you must satisfy the requirements for the exemption set forth in the tax treaty. In order to be considered for a tax treaty exemption, you must complete Form W-8BEN (for all scholarship, fellowship, or stipend payments) or Form 8233 (for all compensation payments). Forms W-8BEN and 8233 are completed with the NRAT Specialist. **A 14 percent withholding tax will be deducted from scholarship, fellowship, and stipend payments made to students present in the U.S. under an F-1 or J-1 visa (i) who are from countries that do not maintain an income tax treaty with the U.S., (ii) whose payment does not qualify for exemption under a tax treaty, or (iii) who do not have a U.S. Social Security Number or ITIN.**

If you receive a scholarship or fellowship grant, certain portions of the grant (for example, tuition and required fees) will not be paid directly to you, but will be credited to your student account at NSHE. If the portion credited to your account is a nontaxable item (for example, tuition), there will be no tax impact to you. If, however, the credited portion is a taxable item (for example, room and board), you will be required to pay to the NSHE the amount of the tax that is required to be withheld, generally, 14 percent of the amount involved. NCAA Special Assistance Fund payments are taxed at 30% as these are payments not related to studies.

Compensation payments made to a nonresident alien for services performed as a NSHE employee are paid through the Payroll system. U.S. tax is withheld on this type of payment at a specific graduated tax-withholding rate. With respect to compensation paid to a nonresident alien as part of a fellowship grant, income tax treaties may or may not apply to exempt some or all compensation, and any tax withholding associated with the taxable compensation will be automatically deducted from the payments. Students who plan to work on campus must apply for a social security number from the U.S. Social Security Administration prior to beginning work.

All students who are not citizens or permanent resident aliens of the U.S. are required to complete tax information forms during their first week at the NSHE prior to receiving any payments or financial assistance. If you have additional questions about how to complete the required forms or need to set an appointment, please email the Nonresident Alien Tax Specialist at: nrat@unlv.edu