



2016 INCOME TAX HANDBOOK

*For Visiting Foreign Scientists at the
National Institutes of Health*



National Institutes of Health
Office of Management

Division of
INTERNATIONAL SERVICES

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and Human Services
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INTRODUCTION

Professional advice and guidance on federal and state income tax matters that concern international researchers at the National Institutes of Health (NIH) is available, on a limited basis, through the Division of International Services (DIS and/or the Office of Research Services (ORS) at no cost to program participants. Those for whom this service is offered include:

- NIH Visiting Program (NIHVP) participants: Visiting Fellows receiving research training, and Visiting Scientists (Research Fellows, Clinical Fellows, Staff Scientists, Staff Clinicians, Investigators, and Senior Investigators) on the Visiting Program
- Guest Researchers and Special Volunteers
- Special Experts
- Other nonimmigrant scientists at the NIH in an official capacity

This service provides procedural advice, literature, and general tax information tailored to the various NIH international awards and appointments. It does not include tax preparation or representation before the Internal Revenue Service (IRS) or state tax authorities regarding tax disputes. Individuals who require these other services are encouraged to consult with a professional tax advisor.

This *2015 Income Tax Handbook* provides information that addresses tax issues commonly faced by Visiting Foreign Scientists at the National Institutes of Health. The information herein is general in nature and based on authorities that are subject to change. It should not be cited as substantial authority. Applicability to specific situations should be determined through consultation with a tax advisor.

Information in this document has been compiled from multiple sources, including, but not limited to, the following IRS publications and forms:

[Publication 519](#) – *US Tax Guide for Aliens*

[Publication 901](#) – *US Tax Treaties*

[Publication 17](#) – *Your Federal Income Tax for Individuals*

[Publication 463](#) – *Travel, Entertainment, Gift, and Car Expenses*

[Publication 521](#) – *Moving Expenses*

[Instructions to Form 1040](#) – *US Individual Income Tax Return* and [Instructions to Form 1040NR](#), *US Nonresident Alien Income Tax Return*

[Form 8843](#) – *Statement for Exempt Individuals*

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Circular 230 Disclosure

Any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties imposed under the Internal Revenue Code or applicable state or local tax law or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

RESOURCES FOR FEDERAL AND STATE TAX FORMS, PUBLICATIONS, AND INFORMATION

Federal Resources

IRS website: www.irs.gov

IRS toll-free numbers in the US for various services:

TeleTax Topics and Refund Status.....	800-829-4477
Forms and Publication Orders	800-829-3676
IRS Tax Help Line for Individuals	800-829-1040
Refund Hotline	800-829-1954

Also see [IRS Publication 910](#), *IRS Guide to Free Tax Services*

Local IRS Taxpayer Assistance Centers nearest to campus:

Wheaton Campus – 11510 Georgia Ave., Wheaton, MD 20902; phone (240) 613-8976

Frederick Campus – 201 Thomas-Johnson Dr., Frederick, MD 21702; phone (443) 853-5668

Baltimore Campus – 31 Hopkins Plaza, Baltimore, MD 21201; phone (443) 853-5668

Durham Campus – 3308 Durham Chapel Hill Blvd., Durham, NC 27707; phone (919) 401-0300

Rocky Mountain Laboratories Campus – 2681 Palmer St., Missoula, MT 59808; phone (406) 728-9127

Phoenix Campus – 4041 N. Central Ave., Phoenix, AZ 85012; (602) 636-9199

State Resources

You can find general information and download forms and instructions from the following websites:

- Maryland – www.marylandtaxes.com
- District of Columbia – www.otr.cfo.dc.gov
- Virginia – www.tax.virginia.gov
- North Carolina – www.dor.state.nc.us
- Montana - <http://revenue.mt.gov/>
- Arizona – www.azdor.gov

FEDERAL TAX INFORMATION

Filing Information

The federal agency responsible for assessing and collecting income taxes is the Internal Revenue Service (IRS).

You are required to file an annual tax return reporting your income and allowable expenses for the tax year using a version of either Form 1040NR (for nonresident aliens) or Form 1040 (for resident aliens). The tax year is the calendar year (January 1 - December 31). See the section on [Tax Residency Rules](#) for how to determine your status.

If you are a resident alien, or if you are a nonresident alien who is an employee receiving wages subject to income tax withholding, you must file your tax return for the current tax year on or before April 15th of the following year. If you are a nonresident alien who is not an employee receiving wages subject to income tax withholding, you must file your tax return for the current tax year on or before June 15th of the following year.

If you cannot file your return by the due date, you can get an automatic 6-month extension of time by filing [Form 4868](#). You must file Form 4868 by the regular due date of the return. The automatic 6-month extension to file does not extend the time to pay your tax. The IRS may assess interest and penalties if you do not file your return or pay your tax by the due date.

You are required to pay your taxes during the calendar year as you earn your income or receive your fellowship grant. The NIH is generally required to withhold an estimate of your federal taxes from the amount you receive each pay period. If you are considered an employee, the NIH will also withhold state taxes from your pay. If you are not considered an employee, or if you do not have state taxes withheld, you must make your own estimated tax payments during the calendar year on a quarterly basis. See the section on [How Taxes are Paid](#) for more information.

It is your responsibility to file a tax return and determine – either on your own or by using a paid tax preparer – your federal tax liability. If you are due a refund because you paid in more tax during the year than the tax liability reported on your tax return, you will normally receive a check from the IRS in approximately 6-8 weeks after you file the return. You should receive your refund faster if you choose to have the refund deposited electronically and/or you electronically file (efile) your return. If you did not pay in enough tax during the year, you must include a check for the balance due with your tax return at the time of filing. Online payment services are also available.

To claim exemption from US income tax under an income tax treaty agreement with your country of residence, you must meet certain requirements. Even if your entire income is excludable, you must still file a tax return and disclose your treaty position. See the section on [Tax Treaty Benefits](#) for more information.

Identification Numbers

You are required by the IRS to have either a Social Security Number (SSN) or, if you are not eligible to get an SSN, an Individual Taxpayer Identification Number (ITIN). An SSN or ITIN ensures that the IRS gives you proper credit for tax returns you file and any tax payments you make such as tax withheld, estimated taxes, and balances remitted with your tax returns. You should use your SSN or ITIN on all tax return forms, payment vouchers, remittance checks, and correspondence with the IRS.

To apply for an SSN, get the application Form SS-5 online at: <http://www.socialsecurity.gov/forms/ss-5.pdf> or by calling 1-800-772-1213.

To apply for an ITIN, see Form W-7 and its instructions. You can get information regarding Form W-7 online at: [http://www.irs.gov/Individuals/International-Taxpayers/Taxpayer-Identification-Numbers-\(TIN\)](http://www.irs.gov/Individuals/International-Taxpayers/Taxpayer-Identification-Numbers-(TIN))

An ITIN is for tax use only. It does not entitle you to social security benefits, nor does it change your employment or immigration status under US law. See the section on [Form W-7](#) for more information.

Glossary of Useful Tax Terms

Adjusted Gross Income (AGI) – Your income after certain allowable adjustments that are subtracted from your gross income, such as IRA contributions, moving expenses, and student loan interest. You use your AGI amount as a basis for various calculations, including determining the limitations on your itemized deductions.

Audit – An examination of your tax return by the Internal Revenue Service (IRS).

Deduction – An expense allowed by the Internal Revenue Code that reduces the amount of your income subject to tax.

Dependency Exemption Amount – An amount you can claim for a “qualifying child” or “qualifying relative”. Each exemption reduces your income subject to tax. One exemption is allowed for each qualifying child or qualifying relative claimed as a dependent. The exemption amount is a set amount that changes from year to year. The amount is \$4,000 for 2015 and \$4,050 for 2016. Resident alien taxpayers can claim dependency exemptions. With limited exceptions, nonresident aliens cannot.

Dependent – A qualifying child or qualifying relative, other than you or your spouse, who entitles you to claim a dependency exemption.

Dual-Resident Taxpayer – An individual who is a resident of both the US and another country under each country’s tax laws. Tax treaty provisions determine which country you are a resident of for tax purposes. If you are treated as a resident of a foreign country under a tax treaty, you are treated as a nonresident alien in figuring your US income tax.

Dual-Status Taxpayer – An individual who is both a nonresident alien and a resident alien during the same tax year. This usually occurs in the year you arrive in or depart from the US.

Effectively Connected Income – Income that is effectively connected with a trade or business in the US. This includes income from performing personal services. You are considered engaged in a trade or business if you are temporarily present in the US under an “F”, “J”, “M”, or “Q” visa. The taxable part of any scholarship or fellowship grant that is US-source income is treated as effectively connected with a trade or business in the US.

Exemption Amount – An amount that you can claim for yourself, your spouse, and eligible dependents. Each exemption reduces your income subject to tax. The exemption amount is a set amount that changes from year to year. The amount is \$4,000 for 2015 and \$4,050 for 2016. There are two types of exemptions: personal and dependency. Resident alien taxpayers can claim both personal and dependency exemptions. With limited exceptions, nonresident aliens cannot claim exemptions for spouses or dependents.

Exempt Individual – An individual who is present in the US as a student, teacher, or trainee under an “F”, “J”, “M”, or “Q” visa. Exempt individuals do not count days of physical presence in the US for a certain number of years (generally, either two or five) for purposes of the substantial presence test. Being an exempt individual does not mean you are exempt from US income tax. Rather, it means you are exempt from counting days of physical presence.

Fellowship Grant – An amount paid to an individual to aid in the pursuit of study, research, or training. A fellowship grant from the NIH is a stipend to cover living expenses. It is not considered by the IRS to be compensation for personal services.

Filing Status – Your filing status determines the rate at which your income is taxed. It also determines whether you are eligible to claim certain deductions and tax credits. There are five filing status categories: single, married filing

a joint return, married filing a separate return, head of household and qualifying widow(er) with dependent child. Married resident aliens can file a joint tax return, even if only one spouse has income. Nonresident aliens are restricted to using either the “single” or “married filing separately” filing status. Married nonresident aliens cannot file a joint tax return.

Green Card – An alien registration card that gives you the privilege, according to the immigration laws, to reside permanently in the US as an immigrant.

Gross Income – Money, goods, services, and property you receive that must be reported on a tax return. It is your income *before* subtractions for adjustments, deductions, exemptions, and other items that reduce income.

Income Tax – A tax assessed on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends, fellowship grants). US citizens and resident aliens are taxed on their worldwide income. Nonresident aliens are taxed only on US-source income.

Individual Tax Identification Number (ITIN) – An identification number used for tax reporting purposes by individuals who are not eligible for a Social Security Number. If you claim your spouse and/or dependents on your tax return, they must have either a Social Security Number or an ITIN. You apply for an ITIN by filing Form W-7 with your Form 1040 or 1040NR.

Internal Revenue Service (IRS) – The federal government agency that is responsible for the assessment and collection of income taxes.

Itemized Deductions – Personal expenses specified in the Internal Revenue Code that reduce your Adjusted Gross Income (AGI). Report itemized deductions on Schedule A of Form 1040 or Form 1040NR. Resident aliens can choose between using the standard deduction or itemized deductions. Most nonresident aliens can only claim itemized deductions.

Nonresident Alien – An individual who is not a US citizen and who does not meet either the green card test or the substantial presence test.

Refund – Money owed to you when your total tax payments are greater than your total tax liability. Refunds are received from the government.

Resident Alien – An individual who is not a US citizen but who meets either the green card test or the substantial presence test.

Saving Clause – A provision found in tax treaties whereby each country “saves” the right to tax its own residents as if no tax treaty were in effect. For example, once you become a resident alien of the US, you generally lose any tax treaty benefits that relate to your income unless the treaty specifically provides for an exception to the Saving Clause.

Social Security Number (SSN) – Every US citizen and anyone who works in the US must have a Social Security Number. This number is your tax identification number and account number with the IRS. You should include your SSN on all correspondence with the IRS.

Social Security Tax – A tax imposed on wages by the Federal Insurance Contributions Act, also known as the “FICA tax.” This tax is collected in addition to income taxes. Nonresident aliens who are F-1, J-1, M-1, or Q-1 visa holders and who are performing services in the US to carry out the purposes of their visas are exempt from Social Security tax. Resident aliens do not receive this exemption.

Standard Deduction – An amount that reduces your income subject to tax and that varies depending on filing status, age, blindness, and dependency. With very limited exceptions, nonresident aliens cannot claim the standard deduction but must claim itemized deductions instead.

Substantial Presence Test – A test that determines whether you are a nonresident alien or resident alien by counting the number of days you are physically present in the US during each calendar year. See the section for [Tax Residency Rules](#) for a discussion of the substantial presence test.

Taxable Income – Your gross income reduced by any allowable adjustments, deductions, and exemptions.

Tax Credit – A dollar-for-dollar reduction to your tax liability. Nonrefundable credits are deducted directly from your tax liability but cannot exceed that amount. Refundable credits are paid to you even if you have no tax liability.

Tax Treaties – Reciprocal agreements between the US and certain foreign countries in which residents (not necessarily citizens) of foreign countries are taxed at a reduced rate or are exempt from US income taxes on certain items of income they receive from sources within the US. Generally, you must be a tax resident of the treaty country and a nonresident of the US to claim treaty benefits. With certain exceptions, tax treaties do not reduce the US taxes of US residents.

Visiting Fellows – Foreign scientists at the NIH who participate in its research training program. Fellows receive a monthly stipend to cover living expenses. Fellows are not considered employees of the NIH and do not perform services. Amounts received by fellows are generally treated by the IRS as a grant, allowance, or award for purposes of whether an exemption is provided by tax treaty.

Visiting Scientists – Foreign scientists at the NIH who are appointed to conduct health-related research. Visiting Scientists receive a salary and are considered to be employees performing personal services for the NIH. This appointment includes the following positions: Research Fellow, Clinical Fellow, Staff Scientist, Staff Clinician, Investigator, and Senior Investigator.

Wages – Compensation for personal services.

TAX RESIDENCY RULES

Federal Tax Residency Rules

The manner in which you are taxed depends upon whether you are, for income tax purposes, considered a resident or nonresident alien. Resident aliens are taxed on their worldwide income in the same manner as US citizens. Nonresident aliens are generally taxed only on US-source income.

Residency status for tax purposes is entirely different than residency status for immigration purposes. It is important for you to understand how to determine whether you are a resident or nonresident for tax purposes. Note that your residency status for tax purposes may change from one year to another.

You will be considered a resident alien (for tax purposes) if you meet either the “**Green Card Test**” or the “**Substantial Presence Test**” for the calendar year.

Green Card Test – You will meet this test if you are a lawful permanent resident of the US at any time during the calendar year. A “green card” is an alien registration card that gives you the privilege, according to the immigration laws, to reside permanently in the US as an immigrant. If you become a lawful permanent resident, you are a resident for tax purposes.

Substantial Presence Test – Unless you are an “exempt individual,” you will meet the substantial presence test if you are physically present in the US for at least 31 days during the current calendar year, and 183 days during the current and preceding two years, counting:

- All of the days you were present in the current calendar year, plus
- 1/3 of the days you were present in the first preceding calendar year, plus
- 1/6 of the days you were present in the second preceding calendar year.

You are treated as present in the US on any day you are physically present in the country at any time during the day.

You do not count any days that you are considered to be an “exempt individual”. Exempt individuals include certain individuals temporarily present in the US under “F”, “J”, “M” or “Q” visas who substantially comply with the requirements of their visas. A teacher, trainee, or researcher present in the US under a “J” or “Q” visa is usually an exempt individual for the first two calendar years of physical presence in the US. A student present in the US under an “F”, “J”, “M” or “Q” visa is usually an exempt individual for five calendar years. However:

- If you are a teacher, trainee, or researcher present in the US under a “J” or “Q” visa, you will not be an exempt individual if you were exempt as a teacher, trainee, researcher, or student for any part of two of the six preceding calendar years. Exceptions apply.
- If you are a student present in the US under an “F”, “J”, “M” or “Q” visa, you will not be an exempt individual if you were exempt as a student, teacher, trainee, or researcher for any part of more than five calendar years. Exceptions apply.

Note: Qualifying as an exempt individual does not mean you are exempt from income tax. It means that you are exempt from counting days of presence in the US for purposes of the substantial presence test. All exempt individuals must attach Form [8843](#), “Statement for Exempt Individuals,” to Form [1040NR](#).

An exempt individual’s exemption from counting days is not elective. For example, if you are a teacher, trainee, or researcher present in the US as a first-time “J” or “Q” visa holder, you do not begin counting days of physical presence in the US until the first day of your third calendar year.

Refer to the flowchart on the following page for additional guidance.

The following examples illustrate the application of the substantial presence test rules:

Example 1: You arrive in the US in April 2015 under a “J” visa; 2015 is your first calendar year of presence, even though you have only been present in the US for part of the year. 2016 will be your second calendar year of presence. January 1, 2017 will begin your third calendar year, and you must then begin counting days of presence for the substantial presence test.

Example 2: You were present in the US under a “J” visa during 2010 and returned to your home country the same year. You returned to the US in 2014 under a second “J” visa. 2010 is considered your first year as an exempt individual. 2014 is your second year as an exempt individual. January 1, 2015 begins your third calendar year, and you must then begin counting days of presence for the substantial presence test.

Example 3: You were present in the US under a “J” visa during 2010 and 2011 and returned to your home country in 2011. You then returned to the US in 2015 under a second “J” visa. 2015 is your third calendar year under a “J” visa. Because you already have two exempt years (2010 and 2011) within the six preceding calendar years (2009-2014), you must begin counting days in 2015 for the substantial presence test.

Example 4: You were present in the US under a “J” visa during 2007 and 2008 and returned to your home country in 2008. You then returned to the US in 2015 under a second “J” visa. You will be exempt from counting days for two more calendar years (2015 and 2016) because 2007 and 2008 are not within the six preceding calendar years (2009-2014). You will start counting days on January 1, 2017.

Example 5: You have been present in the US as a student under an “F” visa since 2011. In 2015, you receive a non-student “J” visa. For 2011-2015, you did not count any days of presence because an “F” visa holder is exempt from counting days for five calendar years. You should also not count your days in 2015 during the time you were an “F” visa holder because 2015 is still within the five-year period. However, you should count your days in 2015 during the time you held a “J” visa. As a non-student “J” visa holder, you are not exempt from counting days if you have been exempt from counting days for at least two of the prior six calendar years.

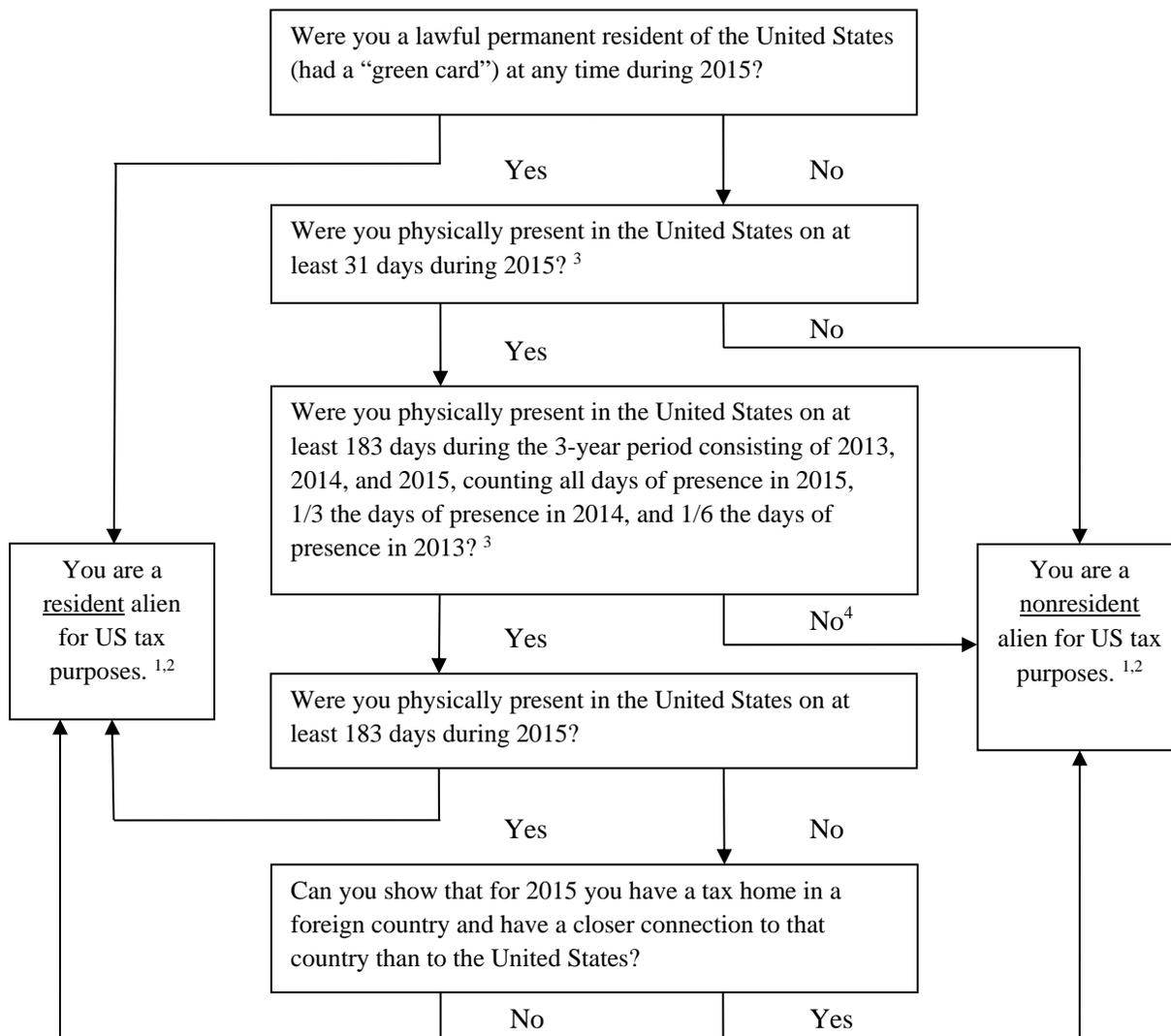
Example 6: You have been present in the US as a student under an “F” visa since 2010. In 2015, you receive a non-student “J” visa. For 2010-2014, you did not count any days of presence because an “F” visa holder is exempt from counting days for five calendar years. You should start counting days in 2015 because you have already been exempt from counting days for at least two of the prior six calendar years.

Example 7: You arrive in the US in March 2015 under an “H” visa. As an “H” visa holder, you are not exempt from counting days. You must start counting your days of presence in the US in 2015 and use the substantial presence test to determine if you are a nonresident alien or resident alien. If you meet the substantial presence test, you will be a dual-status taxpayer for 2015 (nonresident alien prior to your date of arrival and resident alien after your date of arrival).

Example 8: You arrive in the US in April 2014 under a “J” visa. In August 2015, you receive an “H” visa. You are exempt from counting days as a “J” visa holder for 2014 and for the part of 2015 that you held the “J” visa. You will start counting days when you receive the “H” visa in August 2015. Because there are less than 183 days in the calendar year from August through December, you will still be a nonresident alien for 2015. You will count your days in 2016 with the “H” visa and use the substantial presence test to determine if you are a nonresident alien or resident alien for US tax purposes.

Resident or Nonresident Alien for 2015?

Start here to determine your status for 2015



¹ If this is the first or last year of residency, dual status may occur.

² In some circumstances, a person may still be considered a nonresident alien under an income tax treaty between the United States and the country of citizenship. Check treaty provisions carefully.

³ See *Days of Presence in the United States* in Chapter 1 of [IRS Publication 519](#) for situations where days do not count as days of presence in the US. Note that days as an exempt individual do not count. Also, individuals who regularly commute from their residence in Canada or Mexico to work in the US generally do not count as commuting days.

⁴ If the substantial presence test is met for 2016, a choice might be available as a part-year US resident alien for 2015.

If you are a nonresident alien married to a US Citizen or US Resident, you can elect to be taxed as a resident alien. If you make this election, you and your spouse must file a joint tax return. You will both be taxed on your worldwide income.

Residency Starting Date: If you meet the green card test but not the substantial presence test during your first calendar year of residency, your residency starting date is the first day in the calendar year on which you are present in the US as a lawful permanent resident. If you meet both tests during your first calendar year of residency, your residency starting date is the earlier of the first day during the year you are present in the US under the substantial presence test or as a lawful permanent resident.

State Tax Residency Rules

Rules that determine state residency are not the same as the federal residency rules. Each state has its own rules to determine whether you are a resident for state tax purposes.

Maryland – You are a resident of Maryland if your permanent home is in Maryland or, if your permanent home is outside of Maryland, you maintain a place to live in Maryland for more than six months of the tax year. You are also a resident if you spend 183 days or more in Maryland during the tax year. You are a part-year resident if you began or ended residence in Maryland during the tax year. Part-year residents must file a Maryland resident tax return. You are taxable as a nonresident of Maryland if you work in Maryland but do not reside in Maryland.

Example: You arrive at the NIH as a Visiting Fellow with a two-year appointment in October 2015. You rent an apartment in Maryland and live there for the entire two years. You are considered a resident of Maryland for tax purposes from October 2015 until departing in October 2017 (part-year resident in 2015, full-year resident in 2016, and part-year resident in 2017). For each year, you will file a Maryland resident tax return.

If you change your status from Maryland resident to nonresident during the tax year, you are taxed as a resident for that portion of the year in which you lived in Maryland, and as a nonresident for the remainder of the tax year.

District of Columbia – You are a resident of DC if you resided in DC at any time during the tax year or if you maintained a place to live in DC for 183 days or more during the tax year. DC does not tax nonresidents. You can be considered a nonresident of DC if you are present for less than 183 days, and you continue to maintain your permanent foreign residence.

Virginia – You are a resident of Virginia if you maintained a place to live in Virginia for 183 days or more during the tax year. You are also a resident if you are physically present in Virginia for 183 days or more during the tax year. If you reside in Virginia for less than 183 days, and you have income from Virginia sources, you are taxed as a nonresident.

North Carolina – You are a resident of North Carolina if you maintain a home in North Carolina at any time during the tax year or if you live in North Carolina for 183 days or more during the tax year.

Montana – You are a resident of Montana if you live in Montana or maintain a permanent home in Montana. You are a nonresident if you do not consider Montana your home at any time during the tax year even though you may live and work in Montana temporarily during the tax year.

Arizona – You are a resident of Arizona if you are in Arizona for other than a temporary or transitory purpose or you maintain a permanent home in Arizona.

TAX REPORTING FORMS

Federal Tax Reporting Forms

What tax return you must file, as well as when and where you file that return, depends on your status at the end of the tax year as a resident or nonresident alien.

If you are a resident alien at the end of the tax year, you should file [Form 1040](#), *US Individual Tax Return*, or the shorter [Forms 1040EZ](#) or [1040A](#), if applicable.

If you are a nonresident alien at the end of the tax year, you should file [Form 1040NR](#), *US Nonresident Alien Income Tax Return*, or the shorter [Form 1040NR-EZ](#), if applicable.

There are numerous additional federal tax forms for various purposes that are used as attachments to [Forms 1040](#) or [1040NR](#). These forms are used to report different types of income and deductions, to claim tax credits, and to disclose information. Each tax form has instructions to help you understand how to complete it. Listed below are some of the more common federal tax forms used by NIH Visiting Foreign Scientists:

[Form 4868](#), *Application for Automatic Extension of Time to File US Individual Income Tax Return*: Use Form 4868 to request an automatic extension of time to file your tax return, whether you are filing Form 1040 or Form 1040NR.

[Schedule A](#), *Itemized Deductions*: Use Schedule A to figure your itemized deductions.

- Resident aliens who itemize can deduct part of their medical and dental expenses and unreimbursed employee business expenses; amounts they paid for certain taxes, interest, charitable contributions, and miscellaneous expenses; and certain casualty and theft losses. Schedule A for Form 1040 is attached as a separate form.
- Nonresident aliens who itemize can deduct amounts paid for state and local income taxes, gifts to US charities, part of their unreimbursed employee business expenses and miscellaneous expenses, and certain casualty and theft losses. Schedule A is found on page 3 of Form 1040NR. There is no separate form to attach.

[Schedule B](#), *Interest and Dividend Income*: If you are a resident alien, use Schedule B to report all of your taxable interest and dividend income. If you are a nonresident alien, do not use Schedule B; instead, report your taxable interest and dividends on page 4 of Form 1040NR (Schedule NEC). Interest from a US bank, credit union, or similar institution earned by a nonresident alien is generally not subject to federal income tax.

[Schedule C](#), *Profit or Loss from Business*: Use Schedule C to report income and expenses from self-employment. If you are paid through a contract agreement, you are considered self-employed.

[Schedule D](#), *Capital Gains and Losses*: If you are a resident alien, use Schedule D to report the sale or exchange of capital assets such as stock or business property. In most cases, you must report the details of your capital gains and losses on Form 8949 and report the totals on Schedule D. If you are a nonresident alien, only use Schedule D to report the sale or exchange of capital assets that are effectively connected with a US business or the sale or exchange of an interest in US real property. You should report other sales or exchanges of capital assets from sources within the US and not effectively connected with a US business on page 4 of Form 1040NR.

[Schedule SE](#), *Self-Employment Tax*: Net earnings from self-employment are subject to self-employment (SE) tax in addition to federal income tax. SE tax is paid by self-employed individuals in lieu of the FICA tax paid by employees. Use Schedule SE to figure the tax due on net earnings from self-employment. If you are a resident alien and are paid through a contract agreement with the NIH, you must pay SE tax on your net earnings. Nonresident aliens are not liable for SE tax.

[Form 2106](#), *Employee Business Expenses*: Use Form 2106 to report the details of unreimbursed business expenses and/or travel expenses that you itemize on Schedule A.

[Form 2441](#), *Child and Dependent Care Expenses*: If you meet certain requirements, you can claim a tax credit for child and dependent care expenses. Use Form 2441 to compute the tax credit and report amounts that you paid to someone to care for your child or other dependent so you (and your spouse if filing jointly) could work or look for work.

[Form 3903](#), *Moving Expenses*: Use Form 3903 to figure your moving expense deduction to the US or within the US. This deduction is available to resident and nonresident aliens who are either employees or self-employed. Deductible moving expenses include travel expenses and the cost of moving your household goods and personal effects.

[Form 8833](#), *Tax Treaty Return Position Disclosure*: This form is sometimes required to explain the provisions of a tax treaty benefit. You must complete and attach Form 8833 to Form 1040NR or Form 1040 if you take the position that a treaty of the US overrules or otherwise modifies a US tax law (a treaty-based position) and that position reduces your tax. **Exception:** This requirement is waived and Form 8833 need not be filed if a treaty position reduces or modifies the taxation of income derived by students, trainees, or teachers. This includes taxable scholarship and fellowship grants.

[Form 8843](#), *Statement for Exempt Individuals*: Use this form to explain the basis of your claim that you can exclude days of presence in the US for purposes of the substantial presence test. All “exempt” individuals (including “F” and “J” visa holders who have not met the substantial presence test) must attach Form 8843 to Form 1040NR.

State Tax Reporting Forms

Each state also publishes its own annual tax booklet, which includes forms and instructions. The following are the tax return forms for Maryland, DC, Virginia, North Carolina, Montana, and Arizona:

Maryland

- **[Form 502](#), *Maryland Resident Income Tax Return*:** This form is used to report the income of Maryland full-year and part-year residents.
- **[Form 505](#), *Maryland Tax Return (Nonresident Individual)*:** This form is used to report the income of Maryland nonresidents who receive income from sources in Maryland.
- **[Form 502E](#), *Maryland Application for Extension of Time to File Personal Income Tax Return*:** This form is used to request an automatic extension of time to file your Maryland tax return. It is not an extension of time to pay your taxes. Maryland honors the federal extension Form 4868 so that you need only file Maryland Form 502E if you are making a tax payment with the extension request, or if you are not filing a federal extension.

District of Columbia

- **[Form D-40](#), *Individual Income Tax Return*:** This form is used to report the income of DC full-year and part-year residents. There is no tax return required for DC nonresidents.
- **[Form FR-127](#), *Extension of Time to File a DC Income Tax Return*:** This form is used to request an extension of time to file DC Form D-40. It is not an extension of time to pay your taxes. Form FR-127 must be filed to request an extension even if a payment is not due.

Virginia

- **[Form 760](#), *Individual Income Tax Return***: This form is used to report the income of full-year Virginia residents.
- **[Form 760PY](#), *Virginia Part-Year Resident Income Tax Return***: This form is used to report the income of part-year Virginia residents.
- **[Form 763](#), *Virginia Nonresident Income Tax Return***: This form is used to report the income of Virginia nonresidents who receive income from sources in Virginia.
- **[Form 760IP](#), *Virginia Automatic Extension Payment Voucher for Individuals***: This form is used to make a payment of tax if you are filing your Virginia tax return after its due date. It is only used to make extension payments. Because Virginia automatically grants all taxpayers a six-month extension of time to file their tax returns, there is no form required to request an extension.

North Carolina

- **[Form D-400](#), *Individual Income Tax Return***: This form is used to report the income of North Carolina full-year residents, part-year residents, and nonresidents.
- **[Form D-410](#), *Application for Extension for Filing Individual Income Tax Return***: This form is used to request an extension of time to file NC Form D-400. It is not an extension of time to pay your taxes. Form D-410 must be filed to request an extension even if a payment is not due.

Montana

- **[Form 2](#), *Montana Individual Income Tax Return***: This form is used to report the income of Montana full-year residents, part-year residents, and nonresidents.
- **[Form-IT](#), *Montana Individual Income Tax Payment Voucher***: This form is used to make an extension payment if you are filing your Montana tax return after its due date. Use **[Form EXT-14](#)** to compute your tentative tax due. Beginning with the 2010 tax year, Montana automatically grants taxpayers a six-month extension of time to file their tax returns without having to apply for a federal extension. There is no form required to request an extension.

Arizona

- **[Form 140](#), *Resident Personal Income Tax Return***: This form is used to report the income of full-year Arizona residents.
- **[Form 140PY](#), *Part-Year Resident Personal Income Tax Return***: This form is used to report the income of part-year Arizona residents.
- **[Form 140NR](#), *Resident Personal Income Tax Return***: This form is used to report the income of Arizona nonresidents who receive income from sources in Arizona.

For what forms to use to make state estimated tax payments, see the section on **[Estimated Tax Payments](#)**.

HOW TAXES ARE PAID

Pay-as-you-go. You are required to pay federal and state taxes throughout the year as you receive your income. The NIH is required to withhold federal taxes from your income and deposit it with the US Treasury. The federal tax withheld is not your actual tax liability. You will calculate your actual tax on [Form 1040NR](#) or [Form 1040](#). You report the tax withheld on your tax return as a tax payment.

Federal Tax Withholding Rules for Visiting Foreign Scientists at the NIH

The NIH must follow certain rules in determining how much tax to withhold from your pay.

Fellowship Grant Recipients: The federal withholding rate for fellowship grants paid to nonresident aliens is 14%. The total amount of tax withheld for the calendar year is reported to you on [Form 1042-S](#). If you are a nonresident alien entitled to a tax treaty benefit, you may be exempt from federal tax withholding. You must submit [Form W-8BEN](#) to the NIH to claim the withholding exemption.

Wage Recipients: If you are a wage recipient, you will be asked to complete [Form W-4](#) for federal withholding so the NIH can determine how much tax to withhold from your biweekly paycheck. The total amount of tax withheld for the calendar year is reported to you on [Form W-2](#).

Nonresident aliens must check the “Single” box on [Form W-4](#) regardless of marital status and should generally claim one withholding allowance. Exceptions apply for residents of Canada, Mexico, South Korea, and certain residents of India. If you are entitled to a tax treaty benefit, you may be exempt from federal tax withholding. You must submit [Form 8233](#) to the NIH to claim the withholding exemption.

State Tax Withholding Rules for Visiting Foreign Scientists at the NIH

Fellowship Grant Recipients: The NIH does not withhold state taxes from fellowship grant recipients. Because there is no withholding, you must determine if you are required to make estimated tax payments during the calendar year to meet your state tax liability.

Wage Recipients: The NIH withholds state taxes from all wage recipients. You will be asked to complete a withholding form for your state of residence comparable to federal [Form W-4](#).

Estimated Tax Payments

If you do not have federal or state taxes withheld you may be required to make estimated tax payments throughout the tax year. The federal forms for calculating and paying estimated taxes are:

- [Form 1040-ES\(NR\)](#) for nonresident aliens
- [Form 1040-ES](#) for resident aliens

These forms include vouchers for each quarterly payment, a worksheet to help you estimate your tax, and instructions on when and where to send payments. However, the NIH generally withholds federal tax from all visiting foreign scientists who do not claim a withholding exemption under a treaty benefit.

As explained above, the NIH withholds state taxes only from the payments of all visiting scientists receiving wages. The NIH does not withhold state income taxes from amounts paid to fellowship grant recipients. If you are receiving a fellowship grant, you will probably need to estimate and pay state taxes on a quarterly basis during the year. These are the forms you should use to make state estimated tax payments:

- [Maryland Form 502D](#), *Maryland Personal Declaration of Estimated Income Tax*, is a worksheet and

payment form that will help you compute your Maryland estimated tax. The worksheet is also available on the Maryland website at www.marylandtaxes.com. An electronic tax calculator for estimates is also available on the website. Mail [Form 502D](#) with your first estimated payment. Maryland will then send you pre-printed payment vouchers for the remaining payments if you request them by checking the box on [Form 502D](#).

- [DC Form D-40ES](#), includes a worksheet and payment vouchers for making estimated payments to the District of Columbia.
- [Virginia Form 760ES](#) includes a worksheet and payment vouchers for making estimated payments to Virginia.
- [North Carolina Form NC-40](#) includes a worksheet and payment vouchers for making estimated payments to North Carolina.
- [Montana Form ESW](#), *Montana Individual Estimated Income Tax Worksheet*, is a worksheet that will help you compute your Montana estimated tax. Use [Form-IT](#), *Montana Individual Income Tax Payment Voucher*, to make your estimated tax payments.
- [Arizona Form 140ES](#), *Individual Estimated Income Tax Payment*, includes a worksheet and payment vouchers for making estimated payments to Arizona.

Tax payments are estimated for the calendar year and payable quarterly (four times per year) on the following due dates for 2016:

April 18, 2016	pay 1/4 of yearly estimated taxes for the first quarter of 2016
June 15, 2016	pay 1/4 of yearly estimated taxes for the second quarter of 2016
September 15, 2016	pay 1/4 of yearly estimated taxes for the third quarter of 2016
January 17, 2017	pay 1/4 of yearly estimated taxes for the fourth quarter of 2016

You should take into consideration all anticipated income and deductions for the tax year when computing estimated tax. If you fail to make estimated payments, you could be subject to interest and/or penalties in addition to the tax you owe. You could also find yourself owing a large tax bill when you file your tax return.

Tax Withholding/Estimated Payments Are Not Your Final Tax. The tax you have withheld or the estimated tax payments you make during the year may not completely satisfy your tax obligations. You must still prepare and file your annual federal and state income tax returns by the due date.

If the taxes you paid through withholding or estimated payments exceed your calculated tax liability, you will receive a refund of the excess amount.

If the taxes you paid through withholding or estimated payments are less than your calculated tax liability, you must pay the balance due with your tax return.

You must still file a tax return even if you are exempt from federal tax and withholding because of a tax treaty benefit.

HOW INCOME IS REPORTED TO YOU

Between January 1 and March 16, 2016, the NIH will provide you with tax documents that report the amount of income paid to you and the amount of tax withheld during 2015. Copies of these documents are also provided to the federal and state taxing authorities. When you file your tax returns, the IRS and the state will match the amount of income you report on your tax returns with the amount of income reported to them by the NIH.

The income reporting tax document you receive depends on the type of income paid to you.

Fellowship Grant Recipients: You should receive **Form 1042-S, *Foreign Person's US Source Income Subject to Withholding***, from the NIH by March 16, 2016. Form 1042-S reports the amount of the fellowship grant paid to you and the federal taxes withheld during 2015.

Visiting Scientists (and other wage recipients): You should receive **Form W-2, *Wage and Tax Statement***, from the NIH by January 31, 2016. Form W-2 reports the amount of wages paid to you and the federal and state taxes withheld during 2015.

Other tax documents you may receive that report income include:

Form 1099-MISC, *Miscellaneous Income*: This form reports miscellaneous income such as nonemployee compensation paid to you during the calendar year.

Form 1099-INT, *Interest Income*: This form reports interest income paid to you during the calendar year. Some types of interest income such as bank deposit interest are not taxable to nonresident aliens.

Form 1099-DIV, *Dividends and Distributions*: This form reports dividend income paid to you during the calendar year.

Form 1099-G, *Certain Government Payments*: This form reports various government payments, including state income tax refunds.

IMPORTANT! You need to know what type of income you are receiving from the NIH. The US tax law treats a fellowship grant differently than income paid to you for providing services (*i.e.*, wages). A fellowship grant is generally not considered to be “earned income”. Grant recipients at the NIH are not considered to be providing services and, therefore, are not considered to be employees. This can make a difference in applying certain tax rules.

The following tax rules apply to NIH Visiting Fellows (and other grant recipients who are not providing services):

- Moving expenses are not deductible. You must be an employee or self-employed to deduct moving expenses (other restrictions apply).
- Contributions to an IRA (individual retirement account) are not allowed unless you have earned income.
- The tax credit for child care expenses is not allowed unless earned income is present.
- Since fellowship grants are not considered earned income, they are not subject to Social Security and Medicare taxes.

FEDERAL TAX RATES

Federal tax is assessed on your taxable income. Your taxable income is your gross income reduced by certain allowable deductions and exemptions. For taxable grants and wages, federal tax rates are graduated, so that your tax rate increases as your income increases. For 2015, the tax rates range from the lowest rate of 10% to the highest rate of 39.6%. Higher-income taxpayers also pay an additional 3.8% on their net investment income.

Tax tables and tax rate schedules are published each year by the IRS. The tax table or tax rate schedule that you use depends on your filing status. Your filing status is determined by your legal marital status as of the last day of the calendar year. Resident aliens use the same tax tables and tax rate schedules as those used by US citizens. Nonresident aliens are limited to using the tax table or tax rate schedule for either “Single”, “Married Filing Separately”, or “Qualifying Widow(er)”. The tax table or tax rate schedule for “Married Filing Jointly” is not available to nonresident aliens.

SUMMARY OF FEDERAL TAX RULES FOR NONRESIDENT ALIENS

A nonresident alien is an individual who does not meet either the green card test or the substantial presence test. Nonresident aliens must file [Form 1040NR](#) or, if qualified, [Form 1040NR-EZ](#). The following rules apply to all nonresident alien tax returns:

Filing Status – If you are filing as a nonresident alien, you are generally limited to using one of the following filing status categories: single nonresident alien, married nonresident alien, or qualifying widow(er). If you are married, you must file a separate tax return from your spouse. You cannot use the joint filing status unless your spouse is a US citizen or resident and you choose to be treated as a resident. You also cannot use the head of household filing status. Special exceptions apply to residents of Canada, Mexico, and South Korea and to US nationals.

Personal Exemptions – Generally, you can claim only one personal exemption. The federal personal exemption amount is \$4,000 for 2015 and \$4,050 for 2016. The full exemption amount is allowed even if you have only been present in the US for part of the tax year. If you are a resident of Canada, Korea, or Mexico, or a student or trainee from India, you may be entitled to additional exemptions. See the section on [Tax Treaty Benefits](#) for more information.

Nonresidents are generally taxed only on US-Source Income – You are taxed on income *effectively connected with a US trade or business* at the same graduated rates as US citizens and residents. However, any US-source investment income (*income not effectively connected with a US trade or business*) is taxed at a flat 30% rate unless that rate is reduced by a tax treaty. Some types of US income such as bank deposit interest are tax-exempt. Capital gains are not taxable to nonresident aliens who are present in the US for less than 183 days during the calendar year.

Tax treaties may offer a reduced rate of, or complete exemption from, US income tax – A nonresident alien (and certain resident aliens) from a country with which the US has an income tax treaty may qualify for certain benefits. Income covered by treaty benefits may include personal services income, scholarships and fellowship grants, dividends, interest, and capital gains as well as other types of income. Treaties generally require that the nonresident alien be a resident of the treaty country to qualify.

Special rule for dual-resident taxpayers – The rules that determine if you are a US resident for tax purposes do not override tax treaty definitions of residency. If you are a resident of both the US and another country under each country’s tax laws, you are considered a dual-resident taxpayer. If you are a dual-resident taxpayer, you can still claim treaty benefits if the tax treaty between the US and the other country contains a provision for resolving conflicting claims of residence. If you are treated as a resident of a foreign country under a tax treaty, you are treated as a nonresident alien in determining your US income tax. A dual-resident taxpayer should file as a nonresident alien on Form 1040NR and attach [Form 8833](#).

Adjustments available to nonresident aliens – The following are some of the available adjustments on your tax return that, if applicable, reduce your gross income to determine your adjusted gross income (AGI):

- **IRA Deduction** – A deduction is available for a contribution you make to a traditional individual retirement account (IRA). It does not include amounts contributed to a Roth IRA or through an employer-sponsored retirement plan (e.g., a 401(k) or 403(b) plan). You can contribute to an IRA up to \$5,500 for 2015 and 2016. If you are over age 50, you can contribute an additional \$1,000. You must have earned income to make an IRA contribution. Other restrictions also apply.
- **Student Loan Interest Deduction** – If your filing status is “Single”, you can deduct interest up to \$2,500 for amounts you paid on a qualified student loan. This is not available to married taxpayers who file separately. Other restrictions also apply.
- **Moving Expenses** – Moving expenses are available for nonresident aliens who are *employees* of NIH. You cannot deduct moving expenses if you are not an employee. Report your moving expenses on [Form 3903](#).
- **Self-Employed Health Insurance Payments** – If you are self-employed and had a net profit, you may be able to deduct amounts you paid for health insurance for yourself, your spouse, and your dependents. You cannot take this deduction if you are also eligible to participate in any subsidized health plan maintained by your or your spouse’s employer. Grant recipients and NIH employees receiving wages do not qualify as self-employed. However, if you are paid through a contract agreement with the NIH, you are considered self-employed.
- **Self-Employed SEP, SIMPLE, and Qualified Plans** – If you are self-employed, you may be able to take a deduction for contributions to these retirement plans that are available to self-employed individuals. Grant recipients and NIH employees receiving wages do not qualify as self-employed. However, if you are paid through a contract agreement with the NIH, you are considered self-employed.
- **Penalty on Early Withdrawal of Savings** – You can deduct the amount of penalty you pay for the early withdrawal of savings or certificates of deposit.
- **Scholarship and Fellowship Grants Excluded** – If you are a degree candidate and have been awarded a scholarship or fellowship grant that is includible as income, you can deduct the portion that is used for tuition, books, and fees. Visiting Fellows at the NIH are not candidates for a degree.
- **Health Savings Account (HSA) Contribution** – You may be able to deduct contributions you made to an HSA during the year. This deduction does not apply to employer contributions, rollovers, and qualified HSA funding distributions from an IRA.
- **Deductible part of self-employment tax** -- If you were self-employed and owe self-employment tax, a portion of your self-employment tax is deductible. See Schedule [SE \(Form 1040\)](#), to figure the amount of your deduction. Grant recipients and NIH employees receiving wages do not qualify as self-employed. However, if you are paid through a contract agreement with the NIH, you are considered self-employed.

Itemized Deductions Available to Nonresident Aliens – Nonresident aliens **must** itemize their deductions and report them on **Schedule A**. The standard deduction cannot be claimed by nonresident aliens, except for students and trainees who are residents of India eligible for tax treaty benefits.

The following are itemized deductions available to nonresident aliens to reduce their adjusted gross income:

- **State and Local Income Taxes** – You can deduct state and local income taxes that were withheld from your income or otherwise paid by you during the tax year.

- **Gifts to US Charities** – You can deduct contributions or gifts you gave to US qualified charitable organizations during the tax year. Refer to the [Instructions to Form 1040NR](#) for more information.
- **Casualty and Theft Losses** – You may be able to deduct part or all of a loss to property caused by theft, accidents, or disasters. Special rules apply. Refer to the [Instructions to Form 1040NR](#) and [Form 4684](#) for more information.
- **Job Expenses and Certain Miscellaneous Deductions** – You can only deduct miscellaneous deductions to the extent they are directly related to your effectively connected income, such as your income from the NIH. These deductions include tax preparation fees as well as travel expenses for business trips and other unreimbursed job expenses. If your stay in the US is for one year or less and you meet certain IRS rules, your appointment at the NIH may qualify as a business trip. You can deduct only the part of the expenses that exceeds 2% of your AGI.
- **Other Miscellaneous Deductions**

Tax Credits Available to Nonresident Aliens – As a nonresident alien, you can claim some of the same credits that resident aliens can claim. Credits are allowed only if you receive effectively connected income. You may be able to claim some of the following credits:

- **Foreign Tax Credit** – You may claim a credit, subject to certain limits, against your US tax for income tax you paid or accrued to a foreign country on foreign-source income that is effectively connected to a trade or business in the US. If you do not have foreign-source income that is effectively connected to a trade or business in the US, you cannot claim credits against your US tax for income tax you paid or accrued to a foreign country. You may not claim a credit for taxes paid on excluded income. Use [Form 1116](#) to compute the tax credit. Refer to the [Instructions to Form 1116](#) for more information.
- **Credit For Child and Dependent Care Expenses** – If you meet certain requirements, you can claim a tax credit for child and dependent care expenses that you paid to someone to care for your qualifying child under age 13 or other dependent so you could work or look for work. Married nonresident aliens can claim the credit only if they choose to file a joint return with a US citizen or resident alien spouse. The credit can only be computed on *earned income*. Fellowship grants from the NIH do not qualify as earned income. Use [Form 2441](#) to compute the tax credit. Refer to the [Instructions to Form 2441](#) for more information.
- **Education Credits** – If you are a nonresident alien for any part of the year, you generally cannot claim the education credits. However, you may be eligible if you are married and elect to file a joint return with a US citizen or resident alien spouse. If eligible, you may be able to claim one of three available education credits for qualified expenses that you paid during the tax year for yourself, your spouse, or your dependent to enroll in or attend an eligible educational institution. Other restrictions also apply. Use [Form 8863](#) to compute the tax credit. Refer to the [Instructions to Form 8863](#) and [IRS Publication 970](#) for more information.
- **Child Tax Credit** – If you have one or more qualifying children, you may be able to claim a child tax credit up to \$1,000 for each qualifying child. Among other qualifications, the child must be claimed as your dependent and be under age 17 at the end of the year. Only residents of Canada, Mexico and South Korea and US nationals can claim exemptions for their dependents on Form 1040NR. However, being a resident of Canada, Mexico or South Korea is not sufficient. Income limitations apply. Refer to [IRS Publication 972](#) for more information.

SUMMARY OF FEDERAL TAX RULES FOR RESIDENT ALIENS

If you meet the green card test or the substantial presence test, you qualify as a resident alien and are taxed on your worldwide income. You must file your tax return as a US resident. Resident aliens must file **Form 1040** or, if qualified, **Form 1040A** or **Form 1040EZ**. The following rules apply to all resident aliens filing Form 1040:

Filing Status – As a resident alien, you may use any of the filing status categories available to US citizens. In addition to the filing statuses available to nonresident aliens, qualifying taxpayers may also use the head of household filing status. If you are married, you may use the married filing jointly filing status and file one tax return together with your spouse. You are not restricted to filing separate returns. However, if your spouse is a nonresident alien, you cannot file a joint return unless you choose to treat your nonresident spouse as a US resident. This choice is made by attaching a statement signed by both you and your spouse to your joint return for the first tax year for which the choice applies.

Personal and Dependent Exemptions – As a resident alien, you may claim personal exemptions and exemptions for dependents according to the dependency rules for US citizens. The amount for each personal and dependent exemption is \$4,000 for 2015 and \$4,050 for 2016. If you are married, you may claim an additional personal exemption for your spouse. If you file a separate return, you can still claim an exemption for your spouse if your spouse had no gross income for US tax purposes and was not the dependent of another taxpayer. An individual for whom you claim a dependent exemption must be either a qualifying child or a qualifying relative. See [IRS Publication 501](#) for more information.

Each person for whom you claim an exemption on your tax return must have either a Social Security Number or a personal tax identification number. For more information, refer to the section on Identifying Numbers under [Federal Tax Information](#).

Adjustments available to resident aliens – The following are some of the more common adjustments on your tax return that, if applicable, reduce your gross income to determine your adjusted gross income (AGI):

- **IRA Deduction** – A deduction is available for a contribution you make to a traditional individual retirement account (IRA). It does not include amounts contributed to a Roth IRA or through an employer sponsored retirement plan (e.g., a 401(k) or 403(b) plan). You can contribute up to \$5,500 to an IRA for 2015 and 2016. If you are over age 50, you can contribute an additional \$1,000. You must have earned income to make an IRA contribution. Other restrictions also apply.
- **Student Loan Interest Deduction** – If your filing status is “Single”, you can deduct interest up to \$2,500 for amounts you paid on a qualified student loan. This is not available to married taxpayers who file separately. Other restrictions also apply.
- **Moving Expenses** – Moving expenses are available for resident aliens who are *employees* of NIH. You cannot deduct moving expenses if you are not an employee. Report your moving expenses on [Form 3903](#).
- **Deductible part of self-employment tax** -- If you were self-employed and owe self-employment tax, a portion of your self-employment tax is deductible. See Schedule SE ([Form 1040](#)) to figure the amount of your deduction. Grant recipients and NIH employees receiving wages do not qualify as self-employed. However, if you are paid through a contract agreement with the NIH, you are considered self-employed.

- **Self-Employed Health Insurance Payments** – If you are self-employed and had a net profit, you may be able to deduct amounts you paid for health insurance for yourself, your spouse, and your dependents. You cannot take this deduction if you are also eligible to participate in any subsidized health plan maintained by your or your spouse's employer. Grant recipients and NIH employees receiving wages do not qualify as self-employed. However, if you are paid through a contract agreement with the NIH, you are considered self-employed.
- **Self-Employed SEP, SIMPLE, and Qualified Plans** – If you are self-employed, you may be able to take a deduction for contributions to these retirement plans that are available to self-employed individuals. Grant recipients and NIH employees receiving wages do not qualify as self-employed. However, if you are paid through a contract agreement with the NIH, you are considered self-employed.
- **Penalty on Early Withdrawal of Savings** – You can deduct the amount of penalty you pay for the early withdrawal of savings or certificates of deposit.
- **Alimony Paid** – You may be able to deduct payments you make to or for your spouse or former spouse under a divorce or separation instrument. Payments that qualify as alimony for tax purposes are deductible by the payer spouse and taxable to the payee spouse. The alimony recipient must have a US Social Security Number.
- **Health Savings Account (HSA) Contribution** – You may be able to deduct contributions you made to an HSA in 2015. This deduction does not apply to employer contributions, rollovers, and qualified HSA funding distributions from an IRA.

Deductions – As a resident alien, you can choose to either itemize your deductions or claim the standard deduction. You can use whichever method gives you the lower tax.

If you do not elect to itemize your deductions, you may instead deduct from your adjusted gross income (AGI) an inflation-adjusted basic standard deduction to determine your taxable income. The amount of the standard deduction varies depending on filing status, age, blindness, and dependency. The standard deduction in 2015 is \$6,300 for single taxpayers, \$12,600 for married taxpayers filing jointly, \$6,300 for married taxpayers filing separately, and \$9,250 for taxpayers filing as heads of household. The standard deduction in 2016 increases to \$9,300 for taxpayers filing as heads of household and remains at \$6,300 for single taxpayers, \$12,600 for married taxpayers filing jointly and \$6,300 for married taxpayers filing separately. Additional rules apply for taxpayers who can be claimed as a dependent on another person's return and taxpayers who are age 65 or over and/or blind.

The following itemized deductions are available to resident aliens and are reported on Schedule A of Form 1040. Some of these deductions are subject to a number of restrictions and limitations. Refer to the [Instructions to Form 1040](#) and Schedule A for more information.

- **Medical and Dental Expenses** – You can deduct the amount of your medical and dental expenses you paid during the tax year that exceeds 10% of your adjusted gross income (7.5% of your AGI if either you or your spouse is age 65 or older).
- **Taxes** – You can deduct state and local income taxes, real estate taxes, personal property taxes, and certain other taxes you paid during the tax year. State and local income taxes withheld from payments you receive from the NIH are deductible, as are state estimated tax payments you make during the year. Amounts withheld for federal income tax, Social Security tax, and Medicare tax are not deductible, nor are federal estimated tax payments.
- **Interest** – You can deduct interest you paid on a loan secured by your residence (home mortgage interest) and interest you paid on money borrowed to buy property for investment.

- **Gifts to Charity** – You can deduct cash and noncash contributions or gifts you gave to US qualified charitable organizations during the tax year.
- **Casualty and Theft Losses** – You may be able to deduct part or all of a loss to property caused by theft, accidents, or disasters. Special rules apply. Refer to the [Instructions to Form 4684](#) for more information.
- **Job Expenses and Certain Miscellaneous Deductions** – You can deduct miscellaneous deductions to the extent they are directly related to your income, such as your income from the NIH. These deductions also include tax preparation fees, travel expenses for business trips, and unreimbursed employee expenses. You can deduct only the amount of these expenses that exceeds 2% of your AGI.
- **Other Miscellaneous Deductions**

Tax Credits – As a resident alien you may be entitled to tax credits, including the following:

- **Foreign Tax Credit** – You may claim a credit, subject to certain limits, for income tax you paid or accrued to a foreign country on foreign-source income. You may not claim a credit for taxes paid on excluded income. Use [Form 1116](#) to compute the tax credit. Refer to the [Instructions to Form 1116](#) for more information.
- **Credit for Child and Dependent Care Expenses** – If you meet certain requirements, you can claim a tax credit for child and dependent care expenses that you paid to someone to care for your qualifying child under age 13 or other dependent so you (and your spouse if filing jointly) could work or look for work. The credit can only be computed on *earned income*. Fellowship grants from the NIH do not qualify as earned income. Use [Form 2441](#) to compute the tax credit. Refer to the [Instructions to Form 2441](#) for more information.
- **Education Credits** – If eligible, you may be able to claim two available education credits for qualified expenses that you paid during the tax year for yourself, your spouse, or your dependent to enroll in or attend an eligible post-secondary educational institution. Other restrictions also apply. Use [Form 8863](#) to compute the tax credit. Refer to the [Instructions to Form 8863](#) and [IRS Publication 970](#) for more information.
- **Child Tax Credit** – If you have one or more qualifying children, you may be able to claim a child tax credit up to \$1,000 for each qualifying child. Among other qualifications, the child must be claimed as your dependent and be under age 17 at the end of the year. Refer to [IRS Publication 972](#) for more information.

Dual-Status Tax Year

You have a dual-status tax year when you are both a resident alien and a nonresident alien in the same tax year. This usually occurs in the year you arrive in or depart from the US. However, if you qualify as an exempt individual because you are in the US under a “J”, “F”, “M”, or “Q” visa, you will usually not be a dual-status taxpayer in your year of arrival.

Dual-status refers only to your resident status in the US for tax purposes. It does not refer to your citizenship.

The following is an example of when an individual may have a dual-status tax year:

- Sam Burns, an “H” visa holder, was not present in the US during 2014. Sam arrives in the US on April 1, 2015 and stays throughout the remainder of the calendar year, thereby meeting the substantial presence test. Sam is a nonresident alien from January 1, 2015 through March 31, 2015 (before arriving in the US), and a resident alien from April 1, 2015 through December 31, 2015.

If Sam arrived in the US on August 1, 2015, he would not meet the substantial presence test. Sam would then be a nonresident alien for 2015.

In determining your US income tax liability for a dual-status tax year, different rules apply for the part of the year you are a resident of the US and the part of the year you are a nonresident. For the part of the year you are a resident alien, you are taxed on your worldwide income. For the part of the year you are a nonresident alien, you are taxed only on income from US sources.

The following restrictions apply if you are filing a tax return for a dual-status year:

- **Filing Status and Tax Rates** – You cannot use the head of household filing status and tax rate schedule, nor can you file a joint return with your spouse unless you can choose resident alien status. If you are married and are a nonresident alien for all or part of the year, you must use the tax rate schedule for married filing separately or single unless you can choose to file jointly.
- **Standard Deduction** – You cannot use the standard deduction. As a dual-status taxpayer, you must itemize any allowable deductions. You will have different allowable deductions for each part of the year. Report deductions during the period you are a nonresident on Schedule A, Form 1040NR. Report deductions during the period you are a resident on Schedule A, Form 1040.
- **Personal Exemptions** – As a dual-status taxpayer, you will be able to claim your own personal exemption. Subject to the dependency rules, you can claim exemptions for your spouse and dependents when you figure taxable income for the part of the year you are a resident alien. The amount you can claim for these exemptions is limited to your taxable income (figured before subtracting exemptions) for the period you are a resident alien. Do not prorate your exemptions.

The US income tax form you must file as a dual-status alien depends on your resident status at the end of the year:

- **Resident at the end of the year** – You must file Form 1040 if you are a dual-status taxpayer who becomes a resident during the year and who is a US resident on the last day of the tax year. Write “Dual-Status Return” across the top of the return. Attach a statement to your return to show the income for the part of the year you are a nonresident. You can use Form 1040NR or Form 1040NR-EZ as the statement, but be sure to mark “Dual-Status Statement” across the top.
- **Nonresident at the end of the year** – You must file Form 1040NR or Form 1040NR-EZ if you are a dual-status taxpayer who gives up residence in the US during the year and who is not a US resident on the last day of the tax year. Write “Dual-Status Return” across the top of the return. Attach a statement to your return to show the income for the part of the year you are a resident. You can use Form 1040 as the statement, but be sure to mark “Dual-Status Statement” across the top.
- **Statement** – Any statement must have your name, address, and taxpayer identification number on it. You do not need to sign a separate statement or schedule accompanying your return, because your signature on the return also applies to the supporting statements and schedules.

See [IRS Publication 519](#) for more information.

Last Year of Residency

If you are a US resident in 2015, but are not a US resident during any part of 2016, you cease to be a US resident on your residency termination date. Your residency termination date is December 31, 2015, unless you qualify for an earlier date. If the last day you are present in the US is earlier than December 31, you can use that as your residency termination date if you:

- Had a closer connection to a foreign country than to the US for the rest of the calendar year, and
- Your tax home was in that foreign country during the rest of the calendar year.

If you are a US resident because of the substantial presence test and you qualify to use the earlier residency termination date, you can exclude up to 10 days of actual presence in the US in determining your residency termination date. However, you must still include these days when determining whether you meet the substantial presence test.

If you terminate your US residency prior to December 31, you must file a residency termination statement with the IRS. This statement must be filed with your tax return or, if you are not required to file a tax return, with the IRS Center in Austin, TX. See [IRS Publication 519](#) for details regarding what information must be included in the residency termination statement.

If you leave the US temporarily and do not abandon your residence, you keep your resident alien status even while abroad.

TAX TREATY BENEFITS

The United States has income tax treaties with more than 50 foreign countries. Under these treaties, residents (not necessarily citizens) of foreign countries are taxed at a reduced rate, or are exempt from US income taxes on certain items of income they receive from sources within the United States.

*****Important:** These reduced rates and exemptions vary among countries and items of income. Always look to the specific treaty!

Treaty agreements generally apply to individuals who are nonresident aliens in the US according to the substantial presence test and tax residents of the treaty country. Articles within the treaties define the taxation of different types of income. Most treaties include articles that define the taxation of visiting students, trainees, researchers, and teachers. You must meet all of the qualifications stated in a treaty article in order to claim the benefits of the tax treaty.

Country of Residence – You must be a tax resident of the treaty country on your date of arrival or immediately before coming to the US. All treaties include articles that define residence. Residency status is not necessarily determined by citizenship. You may be a citizen of one country and a tax resident of another country. If you have been present as a student in a country where you are not a citizen or legal resident, you *may or may not* be considered a tax resident of that country. You should know the tax residency rules of that country in order to determine your residency status.

Purpose of Visit – The type of visa that an individual holds generally denotes the purpose of the visit to the US. An individual with a “J-1” visa will typically be present in the US as a professor, teacher, researcher, student, or trainee. An individual with an “F-1” visa is present in the US as a student. “J-2” and “F-2” visa holders generally do not qualify to claim treaty benefits.

Place Where You are Performing Your Work – The treaty article will specify the place where your research work can be performed. The NIH is considered to be a governmental, scientific, research institution. When interpreting treaty provisions, it is important to understand that the NIH is not considered to be a university or an educational institution.

Type of Income – Treaty articles specify the types of payments that qualify for exemption from tax. You must know if your income is wages for services performed; payment of a grant, allowance, or award; or payment for independent personal services (honorarium or contract agreement).

Duration of Stay in the US – Most tax treaties impose restrictions on the duration of time you are eligible to stay in the US and claim the benefits of a particular treaty article. Your treaty start date is generally the date you arrive in the US for the purpose of your visit.

Determining Your Treaty Eligibility

Treaty provisions vary considerably among different countries. As explained above, each treaty article contains specific qualifications that must be met. It may be beneficial for you to obtain a copy of the actual text of your tax treaty. See [Table I](#) following this section for links to tax treaties and the US Treasury Department’s technical explanations. See also [IRS Publication 901](#) for a summary of some of the treaty benefit articles.

Tax Treaty Benefits for Visiting Fellows: Treaty benefits for Visiting Fellows and grant recipients are generally included in the articles that apply to “Students and Trainees”. Most treaties extend the Student/Trainee benefits to include researchers who are performing public research at a governmental, scientific organization and receiving a “grant, allowance, or award” as the type of payment. The Student/Trainee tax treaty benefit for scholarships or fellowship grants is generally available for five years, although some treaties may have lower or higher limits.

Tax Treaty Benefits for Visiting Scientists: Treaty benefits for Visiting Scientists and other wage recipients are included in the articles that apply to “Professors and Teachers” who teach and/or conduct research at a university or other educational institution. These benefits are generally available for two or three years from the date of arrival. In many cases, other restrictions apply. For example, the treaty will generally state whether or not the “Student/Trainee” article and the “Professor/Teacher” article can be used consecutively. In many treaties, the Professor/Teacher article can be used only once. The individual does not have to be a former or current professor or teacher.

Treaties generally require that the research be conducted specifically at a university or other educational institution. It is important to understand, however, that the IRS does not consider the NIH to be an educational institution. Therefore, in order for a Visiting Scientist to claim a benefit under a tax treaty, the treaty must state that the benefits are available for research conducted at a research institution in addition to a university or other educational institution. Otherwise, the treaty benefit is not available. See Table III for treaties that include research institutions for this benefit.

Personal Services Treaty Articles

If you are paid according to a contract agreement, you may be entitled to a treaty exemption under the provisions for “Personal Services Income” for income from independent personal services. Most benefits extended under these provisions are limited as to length of time present in the US (typically no more than 183 days) and/or the maximum amount of income that can be received. You must qualify as a nonresident alien of the US. The exception to the saving clause does not apply. If you are a Visiting Scientist who is a resident of a treaty country that does not have a special provision for Professors and Teachers, you may be able to qualify for a treaty benefit under the personal services income provision.

Claiming a Treaty Benefit as a Resident Alien

If you entered the US as a nonresident alien, but you are now a resident alien, you may still be able to exclude qualifying income from US tax under a tax treaty exemption that was available to you as a nonresident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate US tax on certain types of income. However, most tax treaties contain a provision known as a “**saving clause**”. Under the saving clause, each country “saves” the right to tax its own residents as if no tax treaty were in effect. For example, once you become a resident alien of the US, you generally lose any tax treaty benefits that relate to your income.

Many tax treaties have an exception to the saving clause, which may allow you to continue to claim certain treaty benefits when you become a resident alien. You should read the treaty to find out if it has a saving clause and an exception to it. Most of the treaties that extend benefits to students, trainees, teachers, and researchers include an exception to the saving clause.

If you are a resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from US tax on certain types of income, you must provide the NIH with a completed [Form W-9](#), “Request for Taxpayer Identification Number and Certification”. You should attach a statement to Form W-9 that specifies the following five items:

- The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.

- The treaty article addressing the income.
- The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
- The type and amount of income that qualifies for the exemption from tax.
- Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example of Saving Clause Exception:

Krystyna Duda is a Visiting Fellow from Poland in her third year of a four-year appointment. She qualifies to claim a treaty benefit under Article 18 of the US-Poland tax treaty, which exempts trainees' grant income from tax for a five-year period. Because she meets the substantial presence test, she is taxable in the US as a resident alien.

Article 5, paragraph (3) of the treaty contains a saving clause that states as follows: "Notwithstanding any provisions of this Convention except paragraph (4), a Contracting State may tax a citizen of that Contracting State or a resident (as determined under Article 4) of that Contracting State as if this Convention had not come into effect." This means that, as a resident alien taxable in the US, Krystyna would normally not be able to claim a treaty benefit, even though she qualifies. Fortunately, an exception to this saving clause is found in Article 5, paragraph (4) of the treaty, as follows: "The provisions of paragraph (3) shall not affect ... the benefits conferred by a Contracting State under Articles 17, 18, 19, and 24 upon individuals who are neither citizens of, nor have immigrant status in, that Contracting State." Since Krystyna is claiming a benefit under Article 18, she can still claim an exemption from tax for her fellowship grant.

Krystyna should provide the NIH with Form W-9 and attach a statement that includes the information described above to support her exemption.

Treaty Benefits for State Income Taxes

Maryland does not recognize federal tax treaty benefits. If you have income that is exempt on your federal tax return because of a treaty between the US and your country of residence, you must add back this income on your Maryland tax return. Therefore, even though your income may be excluded from taxation by the federal government, residents of Maryland are required to file and pay Maryland taxes.

The District of Columbia, Virginia, North Carolina, and Arizona all recognize federal treaty benefits. No adjustment is necessary to these states' tax returns. Montana requires income tax withholding on compensation which may be excluded from federal withholding under a US tax treaty. You must file a Montana tax return to claim the treaty exclusion.

Special Treaty Provisions for Nonresident Aliens from Specific Countries

Canada and Mexico – If you are a resident of Canada or Mexico, you can claim a personal exemption for your spouse if your spouse had no gross income for US tax purposes and cannot be claimed as the dependent on another US taxpayer's return. You can claim exemptions for your children and other dependents on the same terms as US citizens. Married residents of Canada or Mexico who live apart can file as "Single" if they meet certain tests. See the [Instructions for Form 1040NR](#) for more information.

South Korea – If you are a resident of the Republic of Korea (South Korea), you can claim personal exemptions for your spouse and children if they live with you in the US at any time during the year. The additional deduction for these exemptions must be prorated based on the ratio of your US-source gross income to your entire income from all sources during the year. Married residents of South Korea who live apart can file as "Single" if they meet certain tests. See [IRS Publication 519](#) and the [Instructions for Form 1040NR](#) for more information.

Note: If all of your US income qualifies for a treaty exemption, the additional deduction for your spouse and children will not affect the amount of your federal income tax. However, if you are a Maryland resident, it will reduce your Maryland tax liability. Therefore, you should still claim these exemptions on your federal tax return so you can also claim them on your Maryland tax return.

Barbados, Hungary, and Jamaica – If you qualify as a student or trainee from Barbados, Hungary, or Jamaica, you may elect to be treated for tax purposes as a resident of the US. Under this rule, you may elect to be taxed in the US on your worldwide income and to claim the same deductions and personal exemptions that are available to US residents. For more information, refer to the US tax treaties with Barbados (Article 20), Hungary (Article 18), and Jamaica (Article 21).

India – If you are a student or trainee from India who is eligible for the benefits of Article 21(2) of the US-India tax treaty, you may be able to claim exemptions for your spouse and dependents. You can claim an exemption for your spouse if your spouse had no gross income during the year and cannot be claimed as a dependent on another US taxpayer's return. You can claim exemptions for each of your dependents if they meet the same rules that apply to US citizens. However, exemptions cannot be claimed for dependents admitted to the US on "F-2", "J-2", or "M-2" visas. If you qualify as a student or trainee from India, you can also claim the standard deduction provided you do not claim itemized deductions. See [IRS Publication 519](#) for more information.

TAX TREATY DOCUMENTS

Table I

The following list provides links to both the complete text of tax treaties and the US Treasury Department's technical explanation of most treaties:

<u>Country</u>	<u>Link</u>	<u>Country</u>	<u>Link</u>
Armenia*	Armenia - Tax Treaty Documents	Australia	Australia - Tax Treaty Documents
Austria	Austria - Tax Treaty Documents	Azerbaijan*	Azerbaijan - Tax Treaty Documents
Bangladesh	Bangladesh - Tax Treaty Documents	Barbados	Barbados - Tax Treaty Documents
Belarus*	Belarus - Tax Treaty Documents	Belgium	Belgium - Tax Treaty Documents
Bulgaria	Bulgaria - Tax Treaty Documents	Canada	Canada - Tax Treaty Documents
China	China - Tax Treaty Documents Czech Republic - Tax Treaty Documents	Cyprus	Cyprus - Tax Treaty Documents
Czech Republic		Denmark	Denmark - Tax Treaty Documents
Egypt	Egypt - Tax Treaty Documents	Estonia	Estonia - Tax Treaty Documents
Finland	Finland - Tax Treaty Documents	France	France - Tax Treaty Documents
Georgia*	Georgia - Tax Treaty Documents	Germany	Germany - Tax Treaty Documents
Greece	Greece - Tax Treaty Documents	Hungary	Hungary - Tax Treaty Documents
Iceland	Iceland - Tax Treaty Documents	India	India - Tax Treaty Documents
Indonesia	Indonesia - Tax Treaty Documents	Ireland	Ireland - Tax Treaty Documents
Israel	Israel - Tax Treaty Documents	Italy	Italy - Tax Treaty Documents
Jamaica	Jamaica - Tax Treaty Documents	Japan	Japan - Tax Treaty Documents
Kazakhstan	Kazakhstan - Tax Treaty Documents	Korea	Korea - Tax Treaty Documents
Kyrgyzstan*	Kyrgyzstan - Tax Treaty Documents	Latvia	Latvia - Tax Treaty Documents
Lithuania	Lithuania - Tax Treaty Documents	Luxembourg	Luxembourg - Tax Treaty Documents
Malta	Malta - Tax Treaty Documents	Mexico	Mexico - Tax Treaty Documents
Moldova*	Moldova - Tax Treaty Documents	Morocco	Morocco - Tax Treaty Documents
Netherlands	Netherlands - Tax Treaty Documents	New Zealand	New Zealand - Tax Treaty Documents
Norway	Norway - Tax Treaty Documents	Pakistan	Pakistan - Tax Treaty Documents
Philippines	Philippines - Tax Treaty Documents	Poland	Poland - Tax Treaty Documents
Portugal	Portugal - Tax Treaty Documents	Romania	Romania - Tax Treaty Documents
Russia	Russia - Tax Treaty Documents	Slovak Republic	Slovak Republic - Tax Treaty Documents
Slovenia	Slovenia - Tax Treaty Documents	South Africa	South Africa - Tax Treaty Documents
Spain	Spain - Tax Treaty Documents	Sri Lanka	Sri Lanka - Tax Treaty Documents
Sweden	Sweden - Tax Treaty Documents	Switzerland	Switzerland - Tax Treaty Documents
Tajikistan*	Tajikistan - Tax Treaty Documents	Thailand	Thailand - Tax Treaty Documents
Trinidad	Trinidad - Tax Treaty Documents	Tunisia	Tunisia - Tax Treaty Documents
Turkey	Turkey - Tax Treaty Documents	Turkmenistan*	Turkmenistan - Tax Treaty Documents

<u>Country</u>	<u>Link</u>	<u>Country</u>	<u>Link</u>
Ukraine	Ukraine - Tax Treaty Documents	Union of Soviet Socialist Republics (USSR)*	USSR - Tax Treaty Documents
United Kingdom	UK - Tax Treaty Documents	United States Model	US Model- Tax Treaty Documents
Uzbekistan*	Uzbekistan - Tax Treaty Documents	Venezuela	Venezuela - Tax Treaty Documents

* The US-USSR income tax treaty applies to the countries of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan.

TREATY ARTICLES FOR VISITING FELLOWS AND OTHER GRANT RECIPIENTS

Table II

<u>Treaty Country</u>	<u>Article</u>	<u>Maximum Presence in US</u>	<u>Maximum Amount of Compensation</u>
Bangladesh	21	No Limit	No Limit
China	20 (b)	Reasonable Necessary Period	No Limit
Commonwealth of Independent States *	VI (1)	5 Tax Years	Living Expenses Up to \$10,000
Cyprus	21 (1)	5 Tax Years	No Limit
Czech Republic	21 (1)	5 Full Years	No Limit
Egypt	23 (1)	5 Tax Years	No Limit
Estonia	20 (1)	5 Full Years	No Limit
France	21 (1)	5 Tax Years	No Limit
Germany	20 (3)	No Limit	No Limit
Iceland	19 (1)	5 Tax Years	No Limit
Indonesia	19 (1)	5 Full Years	No Limit
Israel	24 (1)	5 Tax Years	No Limit
Kazakhstan	19	5 Full Years	No Limit
Korea	21 (1)	5 Tax Years	No Limit
Latvia	20 (1)	5 Full Years	No Limit
Lithuania	20 (1)	5 Full Years	No Limit
Morocco	18	5 Tax Years	No Limit
Netherlands	22 (2)	3 Tax Years	No Limit
Norway	16 (1)	5 Tax Years	No Limit
Philippines	22 (1)	5 Tax Years	No Limit
Poland	18 (1)	5 Tax Years	No Limit
Portugal	23 (1)	5 Full Years	No Limit
Romania	20 (1)	5 Tax Years	No Limit
Russia	18	5 Full Years	No Limit
Slovak Republic	21 (1)	5 Full Years	No Limit
Slovenia	20	5 Tax Years	No Limit
Spain	22 (1)	5 Full Years	No Limit
Thailand	22 (1)	5 Tax Years	No Limit
Trinidad and Tobago	19 (1)	5 Tax Years	No Limit
Tunisia	20	5 Tax Year	No Limit
Ukraine	20	5 Full Years	No Limit
Venezuela	21 (1)	5 Tax Years	No Limit

* **Commonwealth of Independent States** – The US-USSR income tax treaty applies to the countries of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan.

Do not rely on this list as an interpretation of your individual eligibility to claim an exclusion from tax. In some situations it may be necessary to consult the treaty itself to determine if all qualifications are met.

TREATY ARTICLES FOR NIH RESEARCHERS RECEIVING WAGES

Table III

Treaty benefits for Visiting Scientists and other wage recipients are included in tax treaty articles that apply to “Professors and Teachers”. For Visiting Scientists to claim a treaty benefit under this article, the treaty must specify that the benefits are available for research conducted at a research institution in addition to a university or other educational institution. The following is a list of treaties that allow an exemption for services at research institutions in addition to educational institutions.

<u>Treaty Country</u>	<u>Article</u>	<u>Maximum Presence in US</u>	<u>Maximum Amount of Compensation</u>
Belgium	19	2 Years	No Limit
Bulgaria	19	2 Years	No Limit
China	19	3 Years	No Limit
Commonwealth of Independent States * Combination of “Student/Trainee” and “Teacher/Researcher” exemption cannot exceed 5 years. Cannot claim “Student/Trainee” and “Teacher/Researcher” benefits in same year.	VI (1)	5 Years	No Limit
Czech Republic Benefits can be claimed only once. Cannot claim “Teacher/Researcher” benefits immediately following “Student/Trainee” benefits.	21 (5)	2 Years	No Limit
France Benefits can be claimed only once. Combination of “Student/Trainee” and “Teacher/Researcher” exemption cannot exceed 5 years.	20	2 Years	No Limit
Germany Cannot claim “Teacher/Researcher” benefits immediately following “Student/Trainee” benefits.	20 (1)	2 Years	No Limit
Italy Allows exemption for services at medical facilities primarily funded from governmental sources in addition to educational institutions.	20	2 Years	No Limit
Portugal Benefits can be claimed only once. Cannot claim “Teacher/Researcher” benefits consecutively or simultaneously with “Student/Trainee” benefits.	22	2 Years	No Limit
Slovak Republic Benefits can be claimed only once. Cannot claim “Teacher/Researcher” benefits immediately following “Student/Trainee” benefits.	21 (5)	2 Years	No Limit

	<u>Treaty Country</u>	<u>Article</u>	<u>Maximum Presence in US</u>	<u>Maximum Amount of Compensation</u>
Slovenia		20 (3)	2 Years	No Limit
Lifetime benefits cannot exceed 5 years.				
Venezuela		21 (3)	2 Years	No Limit

* **Commonwealth of Independent States** – The US-USSR income tax treaty applies to the countries of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan.

Do not rely on this list as an interpretation of your individual eligibility to claim an exclusion from tax. In some situations it may be necessary to consult the treaty itself to determine if all qualifications are met.

TREATY PROVISIONS FOR NIH CONTRACTORS PERFORMING INDEPENDENT PERSONAL SERVICES

Table IV

The following table lists those treaty countries with provisions that exempt from US tax the income of individuals paid under a contract agreement with the NIH. These individuals are considered to be performing independent personal services. The maximum period of presence in the US may refer to a period within a calendar year or any consecutive 12-month period, depending on the specific treaty. Other restrictions may also apply.

<u><i>Treaty Country</i></u>	<u><i>Maximum Presence in US</i></u>	<u><i>Annual Limit on Exemption Amount</i></u>	<u><i>Exemption Article</i></u>
Australia	183 Days	No Limit	14
Austria	No Limit	No Limit	14
Bangladesh	183 Days	No Limit	15
Belgium	No Limit	No Limit	7
Bulgaria	No Limit	No Limit	7
Canada	No Limit	No Limit	VII
China	183 Days	No Limit	13
CIS *	183 Days	No Limit	VI (2)
Cyprus	183 Days	No Limit	17
Czech Republic	183 Days	No Limit	14
Denmark	No Limit	No Limit	14
Egypt	89 Days	No Limit	15
Estonia	183 Days	No Limit	14
Finland	No Limit	No Limit	14
France	No Limit	No Limit	14
Germany	No Limit	No Limit	7
Greece	183 Days	\$10,000	X
Hungary	183 Days	No Limit	13
Iceland	No Limit	No Limit	18
India	89 Days	No Limit	15
Indonesia	120 Days	No Limit	15
Ireland	No Limit	No Limit	14
Israel	183 Days	No Limit	16
Italy	183 Days	No Limit	14
Jamaica	89 Days	\$5,000	14
Japan	No Limit	No Limit	7
Kazakhstan	183 Days	No Limit	14
Korea, Rep. Of	182 Days	\$3,000	18
Latvia	183 Days	No Limit	14
Lithuania	183 Days	No Limit	14
Luxembourg	No Limit	No Limit	15
Mexico	183 Days	No Limit	14
Morocco	183 Days	\$5,000	14
Netherlands	No Limit	No Limit	15
New Zealand	183 Days	No Limit	14
Norway	183 Days	No Limit	13

<u>Treaty Country</u>	<u>Maximum Presence in US</u>	<u>Annual Limit on Exemption Amount</u>	<u>Exemption Article</u>
Philippines	89 Days	\$10,000	15
Poland	183 Days	No Limit	15
Portugal	183 Days	No Limit	15
Romania	183 Days	No Limit	14
Russia	183 Days	No Limit	13
Slovak Republic	183 Days	No Limit	14
Slovenia	No Limit	No Limit	14
South Africa	183 Days	No Limit	14
Spain	No Limit	No Limit	15
Sri Lanka	183 Days	No Limit	15
Sweden	No Limit	No Limit	14
Switzerland	No Limit	No Limit	14
Thailand	89 Days	\$10,000	15
Trinidad/Tobago	183 Days	\$3,000	17
Tunisia	183 Days	\$7,500	14
Turkey	183 Days	No Limit	14
Ukraine	No Limit	No Limit	14
Venezuela	No Limit	No Limit	14

* **Commonwealth of Independent States** – The US-USSR income tax treaty applies to the countries of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan.

Do not rely on this list as an interpretation of your individual eligibility to claim an exclusion from tax. In some situations it may be necessary to consult the treaty itself to determine if all qualifications are met.

TREATY ARTICLES THAT PROVIDE AN EXCEPTION TO THE SAVING CLAUSE

Table V

Most tax treaties contain a provision known as a “saving clause” whereby a country “saves” the right to tax its own residents as if no tax treaty were in effect. For example, once one becomes a resident alien of the US under the substantial presence test, he generally loses any tax treaty benefits that relate to his income. Most of the treaties that extend benefits to students, trainees, teachers, and researchers include an exception to the saving clause that may allow them to continue to claim certain treaty benefits after becoming resident aliens. However, the tax treaty definitions of residency override the substantial presence test, so it is important to know how a treaty defines who is a resident for purposes of applying the exception to the saving clause.

The following table lists those treaty countries that include an exception to the saving clause and also references the articles defining who is a resident for treaty purposes.

<i>Treaty Country</i>	<i>Article Defining Fiscal Resident</i>	<i>Article Providing Exception to Saving Clause</i>
Bangladesh	4	Art. 1 (3)(b) "Personal Scope"
Belgium	4	Art. 1 (5)(b) "General Scope"
Bulgaria	4	Art. 1 (5)(b) "General Scope"
China	4	Protocol - Para. 2 of "Savings Clause"
CIS *	No tie-breaker rule	Art. VII - "Taxation on Citizens"
Cyprus	3	Art. 4 (4)(b) - "General Rules of Taxation"
Czech Republic	4	Art. 1 (4)(b) - "General Scope"
Egypt	3	Art. 6 (4)(b) - "General Rules of Taxation"
Estonia	4	Art. 1 (5)(b) "General Scope"
France	4	Art. 29 "Miscellaneous Provisions", Para 3(b)
Germany	4	Protocol - Para 1 (b)(bb)
Iceland	4	Art. 1 (5)(b) "General Scope"
Indonesia	4	Art. 28 (4)(b) - "General Rules of Taxation"
Israel	3	Art. 6 (4)(b) - "General Rules of Taxation"
Italy	4	Art. 1 (3)(b) - "Personal Scope"
Kazakhstan	4	Art. 1 (4)(b) - "General Scope"
Korea	3	Art. 4 (5)(b) - "General Rules"
Latvia	4	Art. 1 (5)(b) "General Scope"
Lithuania	4	Art. 1 (5)(b) "General Scope"
Morocco	3	Art. 20 (4)(b) - "General Rules of Taxation"
Netherlands	4	Art. 24 (2)(b) - "Basis of Taxation"
Norway	3	Art. 22 (3)(b) - "General Rules of Taxation"
Philippines	3	Art. 6 (4)(b) - "General Rules of Taxation"
Poland	4	Art. 5 (4)(b) - "General Rules of Taxation"
Portugal	4	Protocol - Para 1 (c)(ii)

<u>Treaty Country</u>	<u>Article Defining Fiscal Resident</u>	<u>Article Providing Exception to Savings Clause</u>
Romania	3	Art. 4 (4)(b) - "General Rules of Taxation"
Russia	4	Art. 1 (4)(b) - "General Scope"
Slovak Republic	4	Art. 1 (4)(b) - "General Scope"
Slovenia	4	Art. 1 (5)(b) "General Scope"
Spain	4	Art. 1 (4)(b) - "General Scope"
Thailand	4	Art. 1 (3)(b) "Personal Scope"
Trinidad and Tobago	2	Art. 3 (4)(b) - "General Rules of Taxation"
Tunisia	4	Art. 22 (3)(b) - "General Rules"
Ukraine	4	Art. 1 (4)(b) - "General Scope"
Venezuela	4	Art. 1 (5)(b) "General Scope"

* **Commonwealth of Independent States** – The US-USSR income tax treaty applies to the countries of Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan.

Do not rely on this list as an interpretation of your individual eligibility to claim an exclusion from tax. In some situations it may be necessary to consult the treaty itself to determine if all qualifications are met.

COMPENSATION FROM A FOREIGN EMPLOYER

Nonresident aliens are generally taxed only on income from US sources. Income from foreign sources is excluded from US tax. For you to be able to exclude payments from US tax, your foreign-source income should fall into one of the following categories:

- **Compensation paid to you by a foreign employer if you are temporarily present in the US under an “F”, “J”, or “Q” visa.** This exemption applies to bona-fide students, scholars, trainees, teachers, professors, research assistants, specialists, or leaders in a field of specialized knowledge or skill.
- **Payments for a scholarship or fellowship grant from a foreign source.** The source of the grant is the residence of the payer regardless of who actually disburses the funds. Payments made by an entity designated as a public international organization under the International Organizations Immunities Act are from foreign sources.
- **Remittances or allowances from a foreign source for study and maintenance in the US.** Such payments may be exempt from tax by a tax treaty agreement. These benefits are generally included in the Student/Trainee articles of the treaties.

Once you become a resident alien, you become liable for US tax on your worldwide income, including income from foreign sources. However, foreign-source income in the above categories may continue to qualify for exemption from tax under a tax treaty agreement if the tax treaty’s saving clause provides an exception for it and you otherwise meet the requirements for the treaty exemption. Consult your treaty carefully to determine if you meet all qualifications.

If you are present in the US under a “J” visa and *all* of your income is from a foreign source, you will not owe any tax and you are not required to file Form 1040NR. However, you must still file [Form 8843, Statement for Exempt Individuals](#), each tax year by the due date of your tax return (including extensions), to verify your exempt individual status. If the NIH pays you *and* you receive income from a foreign employer or a foreign-source grant or allowance, you must file Form 1040NR and attach Form 8843.

MAINTAINING TAX RECORDS

You must keep records so that you can prepare a complete and accurate tax return. The law does not require any special form of records. However, you should keep all receipts, canceled checks or other proof of payment, and any other records to support any deductions or credits you claim. Keep copies of all income reporting forms (*e.g.*, Form 1042-S, Form W-2, Form 1099) and any other source documents that substantiate the amounts reported on your tax return.

If you deduct car expenses and other employee business expenses such as travel, entertainment, gift, or transportation expenses, you must be able to prove certain elements of the expense. You should keep adequate records to substantiate your expenses. For records to be considered adequate, they should generally be written, such as an account book, diary, statement of expense, or similar record.

The elements you need to prove a business expense include the amount of the expense, the date you incurred the expense, where you incurred the expense, a description of the expense, and its business purpose or relationship. You do not have to write down the elements of every expense at the time of the expense. However, a record made at the time of the expense has more value than a statement prepared later. A log maintained on a weekly basis, which accounts for use during the week, is considered a record made at or near the time of the expense. You do not have to record information that duplicates information shown on a receipt as long as your records and receipts complement each other in an orderly manner.

You must keep records as long as they may be needed for the administration of any provision of the Internal Revenue Code. Records such as receipts, canceled checks, and other documents that support an item of income or a deduction appearing on your return should be kept until the statute of limitations expires for that return. Generally, the IRS has three years from the date you filed your original tax return to examine it and assess tax. You have the later of three years from the date you filed your tax return, or two years from the date you paid the tax, to file for a claim for credit or refund. Therefore, you should keep your records for at least five years from the date you file your income tax return on which the deduction is claimed or income is reported. A return filed early is considered filed on the due date. There is no statute of limitations when a return is fraudulent or when no return is filed.

Do not submit the receipts and records with your tax return. They should instead be kept in your personal files.

SOCIAL SECURITY AND MEDICARE TAXES (FICA)

Social Security and Medicare taxes are imposed by the Federal Insurance Contributions Act (FICA). Social Security tax is also known as OASDI, which stands for Old Age Survivors Disability Insurance. Social Security (OASDI) and Medicare taxes are collectively known as “FICA taxes”. If you work as an employee in the US, you must pay FICA taxes regardless of your citizenship or residence. These taxes are collected in addition to income taxes. Generally, your employer pays one-half of the taxes and you pay one-half through withholding.

Your payments of FICA taxes contribute to your coverage under the US social security system. Social security coverage provides benefits for retired workers and their dependents as well as for the disabled and their dependents. Medicare coverage provides medical insurance benefits for people aged 65 or older or with certain disabilities.

Nonresident Alien FICA Tax Exemption for Students, Teachers, and Researchers

Nonresident aliens are only subject to FICA taxes if they are working as an employee within the US. Fellowship grants paid to Visiting Fellows by the NIH are not considered income from employment and, therefore, are not subject to FICA taxes.

Nonresident alien students, teachers, or researchers – including those performing services as employees at the NIH – are exempt from paying FICA taxes if they meet certain criteria. The exemption is applicable if the person receiving the wage payments is:

- A nonresident alien
- Present in the US under an “F”, “J”, “M”, or “Q” visa, and
- Performing services to carry out the purposes of his or her visa.

The first condition is met either under the Green Card Test or the Substantial Presence Test. The second condition requires that the individual be in “F”, “J”, “M”, or “Q” visa status when the wage payment is made. The third condition is easily met by nonresident alien students, teachers, and researchers because they are permitted to work in areas directly related to their visa category while they are in the US. However, because the third condition requires that the services be performed to carry out the purposes of the person’s visa, spouses and dependents of the nonresident alien students, teachers, or researchers – normally issued visas such as “J-2” or “F-2” – do not qualify for the FICA tax exemption. This is because their purpose for visiting the US is to accompany the primary visa-holder, not to work. Therefore, any services they perform as employees do not carry out the purpose of their visa.

Self-Employment Tax

Self-employment tax is the social security and Medicare taxes for individuals who are self-employed. If you work under a contract agreement at the NIH, you are considered self-employed.

Nonresident aliens are not subject to self-employment tax. Resident aliens must pay self-employment tax under the same rules that apply to US citizens. If you work under a contract agreement with NIH and you are filing as a resident alien, your net contract income (contract income reduced by contract expenses) is subject to self-employment tax. Self-employment income you receive while you are a resident alien is subject to self-employment tax even if was paid for services you performed as a nonresident alien.

Self-employment income is reported on [Schedule C of Form 1040](#). Self-employment tax is calculated on [Schedule SE](#).

FORM W-7, “APPLICATION FOR IRS INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER”

Each individual for whom an exemption is claimed on Form 1040 or Form 1040NR must have either a Social Security Number (SSN) or an individual tax identification number (ITIN). An ITIN is a nine-digit number issued by the IRS to individuals who are required for US tax purposes to have a US taxpayer identification number but who do not have and are not eligible to get an SSN. If you do not have and are not eligible to get an SSN, you must apply for an IRS ITIN using [Form W-7](#).

An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under US law.

Examples of those who should file Form W-7 include the following:

- A nonresident alien eligible to claim a tax treaty benefit.
- A nonresident alien not eligible for an SSN who is required to file a US tax return.
- A nonresident alien not eligible for an SSN who elects to file a joint US tax return with a spouse who is a US citizen or resident alien.
- A resident alien under the substantial presence test who files a US tax return but who is not eligible for an SSN.
- An alien spouse claimed as an exemption on a US tax return but who is not eligible to get an SSN.
- An alien individual who can be claimed as a dependent on a US tax return but who is not eligible to get an SSN.
- A nonresident alien student, professor, or researcher who is required to file a US tax return but who is not eligible for an SSN, or who is claiming an exception to the tax return filing requirement.
- A dependent/spouse of a nonresident alien holding a US visa who is not eligible for an SSN.

Completed Forms W-7 should be submitted with your original tax return for which the ITIN is needed and attached to the front of the return. After the IRS has processed your Form W-7, it will assign an ITIN to the return and process the return. You must also submit certain documentation such as a passport or visa that substantiates the information provided on Form W-7. Original documentation or copies certified or notarized by the issuing agency can be used for this purpose. Refer to the [Instructions for Form W-7](#) and [Publication 1915](#) for more information.

You should allow six to ten weeks for the IRS will notify you of your ITIN.

DEPARTING ALIEN CLEARANCE (“SAILING PERMIT”)

Before leaving the US, all aliens generally must obtain from the IRS a Certificate of Compliance, popularly known as the sailing permit or departure permit. This certificate confirms that the alien has complied with all income tax obligations. However, certain categories of aliens are not required to obtain these sailing permits before departing.

The exemption from obtaining a sailing permit includes alien students, trainees, and exchange visitors – as well as their spouses and children – admitted solely on an “F-1”, “F-2”, “H-3”, “H-4”, “J-1”, or “J-2” visa and who receive no US-source income other than income permitted by their visa category such as salary, living allowances, and bank deposit interest while in the US. Thus, the exemption covers not only most NIH Visiting Program participants, but also working spouses of program participants holding a “J-2” visa, as long as their US-based income is in compliance with “J-2” visa regulations.

Notably absent from the exemption for a sailing permit are aliens holding “H-1B” and “O” visas. Program participants at the NIH with an O visa or an H-1B visa will continue to require a sailing permit before departure from the US. You can obtain a sailing permit from any IRS office. You can apply for a sailing permit by presenting Form 1040C in person at an IRS office approximately three weeks before your departure from the US. [Form 1040C](#) and [Instructions](#) can be downloaded from the IRS website. Form 1040C is not a final tax report. You must still file Form 1040 or Form 1040NR at the end of the tax year.

SUMMARY OF STATE INCOME TAX RULES FOR NONRESIDENT ALIENS

In addition to the federal government, most states of the US tax the income of their residents. In most cases, state income tax returns must be filed each year on or before the same date that your federal income tax return is due. State tax returns will generally follow federal tax rules and then require certain modifications.

You will need information from your federal return in order to complete your state return. Therefore, complete your federal tax return before preparing your state tax return.

Maryland

If you are a nonresident alien required to file federal Form 1040NR (or Form 1040NR-EZ), how you file your Maryland income tax return depends on whether you are a legal resident of Maryland or a nonresident.

If you were domiciled in Maryland on the last day of the tax year, or you maintained a place to live in Maryland and were physically present in Maryland for more than six months (183 days) of the tax year, then you are a legal Maryland resident. In that case, you must file a Maryland resident tax return for the full tax year using Form 502.

If you do not meet the above definition, you are not a resident of Maryland. You will need to file a nonresident income tax return to Maryland using Form 505 and Form 505NR if you have income derived from:

- tangible property, real or personal, permanently located in Maryland;
- a business, trade, profession or occupation carried on in Maryland; or,
- gambling winnings derived from Maryland sources.

Filing Status

If you are a nonresident alien filing a federal Form 1040NR, you cannot use the joint filing status or head of household filing status. With limited exceptions, you must use the same filing status on your Maryland tax return as your federal tax return. See Instruction 7 in the Maryland resident tax booklet and Instruction 8 in the Maryland nonresident tax booklet.

Income

The starting point for your Maryland tax return is your federal adjusted gross income that you reported on line 36 of Form 1040NR. You must enter this amount on line 1 of your Maryland return. This amount can be a negative, *e.g.*, where your federal adjustments to income such as moving expenses exceed your federal income.

Additions and Subtractions

The tax treatment of certain items of income and deduction under Maryland tax law differs from federal tax treatment. These items are added to or subtracted from federal adjusted gross income. You should report any such additions or subtractions on your Maryland tax return. The following are some of the common adjustments for Visiting Foreign Scientists:

- If you have income that is exempt on federal Form 1040NR because of a treaty between the US and your country of residence, you must add back this income on your Maryland return. You must also add back other items of income that are not taxable on your federal return such as bank interest and payments received from a foreign source. If you are using Form 502, enter the amount on line 5 and use code letter “g.” If you are using Form 505, enter the amount on line 19 and use code letter “e.”

- If you claim the tax credit for child and dependent care expenses on your federal return using Form 2441, you may subtract the cost of caring for your dependent while you work on your Maryland return. For 2015, the subtraction is limited to \$3,000 (\$6,000 if two or more dependents receive care). Enter the amount on line 9 of Form 502. If you are using Form 505, enter the amount on line 23 and use code letter “f.”
- If you are a resident alien and you and your spouse both work and file a joint tax return, you may be entitled to a subtraction of up to \$1,200. See the Two-Income Married Couple Subtraction Worksheet in the [Maryland tax booklet](#).

For other types of additions, see Instruction 12 in the [Maryland Resident Tax Booklet](#) or [Maryland Nonresident Tax Booklet](#).

For other types of subtractions, see Instruction 13 in the [Resident Tax Booklet](#) or [Nonresident Tax Booklet](#). If you are a Maryland resident filing Form 502, you may need to report some of your subtractions on **Form 502SU, Subtractions from Income**.

Itemized Deductions or Standard Deduction

If you choose the itemized deduction method on your Maryland return, you should report the same itemized deductions that you claim on your federal Form 1040NR, with one exception: state and local income taxes. You must reduce your total deductions on your Maryland return by any state or local income taxes that you include as an itemized deduction on your federal return. See Instruction 14 in the [Resident Tax Booklet](#) or Instruction 16 in the [Nonresident Tax Booklet](#).

Even though you may be required to itemize your deductions on federal Form 1040NR, you have the option to select the standard deduction method on your Maryland return, if that method gives you a higher deduction. The standard deduction ranges from \$1,500 to \$4,000 depending on your level of income and filing status. See Instruction 16 in the [Resident Tax Booklet](#) or Instruction 15 in the [Nonresident Tax Booklet](#).

Personal Exemptions

You are permitted the same number of exemptions on your Maryland return that are allowed on federal Form 1040NR. If your federal adjusted gross income is \$100,000 or less, the Maryland exemption amount for each individual is \$3,200. This exemption amount is reduced once your federal AGI exceeds \$100,000.

If you are age 65 or older, or are legally blind, you may claim an additional \$1,000 exemption for age or blindness on the Maryland return.

Spouse

Generally, nonresident aliens who are US nationals or residents of Mexico or Canada may claim a personal exemption for their spouse if the spouse had no gross income for US tax purposes and cannot be claimed as a dependent on another taxpayer's return.

Nonresident aliens who are residents of the Republic of Korea (South Korea) must meet an additional requirement to claim their spouse as an exemption: the spouse must have lived with the taxpayer in the US at some time during the tax year. Students and business apprentices who are residents of India may also claim their spouse under certain circumstances. See [IRS Publication 519](#).

If your spouse meets the criteria noted above, you can claim an exemption for your spouse in the Exemptions section of the Maryland return.

Dependents

You may not claim any other dependents unless the dependents are residents of the US, Canada, or Mexico. The dependents are entitled to an additional exemption for age if they are 65 years of age or older.

Only US nationals and residents of Canada, Mexico, and the Republic of Korea (South Korea), may claim exemptions for their dependents. If you were a US national (American Samoan or a Northern Mariana Islander who chose to be a US national) or a resident of Canada or Mexico, you can claim exemptions for your children and other dependents on the same terms as US citizens. See [IRS Publication 501](#) for more details.

You may not claim any exemptions for a spouse or dependents if you are a nonresident alien from any other country and are required to file a federal Form 1040NR.

Prorating Exemptions

If you are a nonresident for Maryland tax purposes, you must prorate your exemptions and deductions following the instructions in the [Nonresident Tax Booklet](#).

Earned Income Tax Credit

You cannot claim an earned income tax credit if you are a nonresident alien required to file a federal 1040NR. You must qualify and elect to be taxed as a resident alien with the IRS on your worldwide income in order to claim the earned income tax credit.

Minimum Filing Level

If your gross Maryland income is below a certain level (determined by your filing status), you may not be required to file and/or pay Maryland state income tax for that year. The 2015 minimum filing levels are \$10,300 for Single filing status and \$4,000 for Married Filing Separately filing status.

Tax Rates

Maryland assesses both a state and local income tax on your taxable income. State and local taxes are calculated separately on the same Maryland tax return. The state tax rate for taxable income less than \$3,000 ranges from 2% to 4%. For single taxpayers and married taxpayers filing separately, taxable income less than \$125,000 is taxed at a state tax rate of 5.00%. Taxable income over \$125,000 is taxed at state tax rates ranging from 5.25% to 5.75%.

There are 23 counties in Maryland, plus Baltimore City. Each of these jurisdictions has its own local tax rate, ranging from 1.25% to 3.20%. What rate applies to your taxable income depends on the jurisdiction in which you live. The local tax rate for Baltimore City is 3.20%. The local tax rate for Frederick County is 2.96%. The local tax rate for Montgomery County is 3.20%. If you are taxed as a Maryland nonresident, you will pay the state tax rate plus a special nonresident tax of 1.25% instead of the local tax rate.

Reciprocal Agreements

Maryland has reciprocal agreements with DC, Virginia, Pennsylvania, and West Virginia. Under the agreements, residents of these states are exempt from Maryland tax if their only Maryland income is from wages, salary, or compensation for personal services rendered in Maryland. Maryland treats taxable fellowship grants as compensation for personal services. Therefore, if you live in DC, Virginia, Pennsylvania, or West Virginia but work in Maryland, you may be exempt from filing a Maryland nonresident tax return.

DC and Virginia State Taxes

DC and Virginia both recognize federal tax treaty agreements. Therefore, resident and nonresident aliens are subject to the same tax provisions as all other filers. If you are a DC or Virginia resident and are claiming a treaty benefit on your federal tax return, this exemption will also apply to your DC or Virginia tax return.

District of Columbia – If you are not from a treaty country, you will need to file a DC tax return using [Form D-40](#) as well as pay DC quarterly estimated taxes using [Form D-40ES](#).

The following rules apply to DC taxes:

- You must generally use the same filing status that you use on your federal tax return.
- You must claim the same number of personal exemptions as you claim your federal tax return.
- If you itemize deductions on your federal tax return, you must also itemize deductions on your DC tax return.

The personal exemption amount is \$1,675 for each individual. If you are a part-year DC resident, you must prorate the exemption amount for the number of months you are present in DC.

DC tax rates range from 4.0% to 8.95%.

Virginia – If you are not from a treaty country, you will need to file a Virginia tax return using [Form 760](#) for residents, [Form 763](#) for nonresidents, or [Form 760PY](#) for part-year residents. You will also need to pay Virginia quarterly estimated taxes using Form [760ES](#).

The following rules apply to Virginia taxes:

- You must use the same filing status that you use on your federal tax return.
- You must claim the same number of personal exemptions that you claim on your federal tax return.
- If you itemize deductions on your federal tax return, you must also itemize deductions on your Virginia tax return.

The personal exemption amount is \$930 for each individual. If you are a part-year Virginia resident, you must prorate the exemption amount for the number of days you are present in Virginia.

Virginia tax rates range from 2.0% to 5.75%. Virginia does not have a separate local income tax rate.

USING MARYLAND FORM 502D, “PERSONAL DECLARATION OF ESTIMATED TAX”

Renee is a Visiting Fellow from France with a two-year appointment beginning in January 2016. She will be paid an NIH fellowship grant of \$48,630 per year. Renee is single and living in Bethesda, Maryland. She can claim one personal exemption and will use the standard deduction.

Renee calculates her taxable net income using the Estimated Tax Worksheet on [Form 502D](#), as follows:

Total income expected in 2016	\$ 48,630
Net modifications	<u>0</u>
Maryland adjusted gross income	48,630
Standard deduction	<u>(2,000)</u>
Maryland net income	46,630
Personal exemption	<u>(3,200)</u>
Taxable net income	<u>\$ 43,430</u>

Renee calculates her Maryland tax using the tax rate schedule for Single taxpayers from Form 502D, as follows:

Taxable net income	\$ 43,430
Subtract \$3,000	<u>(3,000)</u>
Excess income over \$3,000	40,430
Maryland tax rate	<u>x 4.75%</u>
	1,920
Add \$90	<u>90</u>
Maryland income tax	<u>\$ 2,010</u>

Renee calculates her Montgomery County local income tax using the tax rate schedule provided from Form 502D, as follows:

Taxable net income	\$ 43,430
Montgomery County tax rate	<u>x 3.20%</u>
Local income tax	<u>\$ 1,390</u>

Renee’s total estimated 2016 Maryland and local income tax is \$3,400 (2,010 + 1,390). Her estimated payment per quarter will be one-fourth of \$3,400, or \$850. She should use Form 502D to submit her first quarterly payment and check the box on Form 502D to request vouchers from Maryland for the remaining payments. A filled-in example of Form 502D is provided on the following page.

An electronic version of the Estimated Tax Worksheet is available at www.marylandtaxes.com under Individual Online Services, Tax Calculators. See

<https://interactive.marylandtaxes.com/webapps/percentage/502for2016.asp> and the example in the following pages.

FIRST PERIOD
 MARYLAND
 FORM
 502D

**PERSONAL
 DECLARATION OF
 ESTIMATED INCOME TAX**



2016

OR FISCAL YEAR BEGINNING _____ 2016, ENDING _____

123456789

Your Social Security Number

Spouse's Social Security Number

CHECK HERE IF THIS IS
 A CHANGE OF ADDRESS

CHECK HERE IF THIS IS
 A JOINT DECLARATION

RENEE

Your First Name

Initial

BLANC

Your Last Name

Spouse's First Name

Initial

Spouse's Last Name

For Office Use Only

ME	YE	EC	EC
----	----	----	----

2 PARIS PLACE

Current Mailing Address (PO Box, number, street and apt. no)

BETHESDA

City or Town

MD

State

20892

ZIP Code

IF YOU RECEIVE THE DECLARATION OF ESTIMATED PERSONAL INCOME TAX PACKET WHICH INCLUDES THE FOUR PREPRINTED VOUCHERS FOR SUBMITTING ESTIMATED PAYMENTS, PLEASE USE THE PREPRINTED VOUCHERS INSTEAD OF THIS FORM OR FILE ELECTRONICALLY.

IF YOU DID NOT RECEIVE THE PACKET AND DO NOT ELECT TO FILE ELECTRONICALLY, USE THIS FORM TO REMIT ANY PAYMENT DUE AT THIS TIME. IF VOUCHERS ARE NEEDED FOR REMAINING INSTALLMENTS OF THE CURRENT TAX YEAR, CHECK HERE

IMPORTANT: Please review the instructions before completing this form. If you are using this form for subsequent estimated payments and you previously have calculated the amounts you must pay for each quarter, you **do not** need to complete this worksheet.

ESTIMATED TAX WORKSHEET

STAPLE CHECK HERE

1. Total income expected in 2016 (federal adjusted gross income)	1.	48630.00
2. Net modifications	2.	
3. Maryland adjusted gross income (line 1, plus or minus line 2)	3.	48630.00
4. Deductions:		
a. If standard deduction is used, see instructions.		
b. If deductions are itemized, enter total of federal itemized deductions less state and local income taxes	4.	2000.00
5. Maryland net income (Subtract line 4 from line 3.)	5.	46630.00
6. Personal exemptions	6.	3200.00
7. Taxable net income (Subtract line 6 from line 5.)	7.	43430.00
8. Maryland income tax	8.	2010.00
9. Personal and business income tax credits	9.	
10. Subtract line 9 from line 8 (If less than 0 enter 0.)	10.	2010.00
11. Local income tax or special nonresident income tax: Multiply line 7 by <u>.0320</u>	11.	1390.00
12. Local income tax credit	12.	
13. Total 2016 Maryland and local income tax (Subtract line 12 from the sum of lines 10 and 11.)	13.	3400.00
14. Maryland income tax to be withheld during the year 2016	14.	
15. Total estimated tax to be paid by declaration (Subtract line 14 from line 13.)	15.	3400.00
16. Amount to be submitted with declaration (Divide line 15 by 4.)	16.	850.00

For payment by credit card see payment instructions. Make checks payable to "Comptroller of Maryland."

ESTIMATED TAX PAID FOR 2016 WITH THIS DECLARATION DUE: APRIL 18, 2016

(If filing and paying electronically or by credit card, do not submit this form.) ▶ \$ 850.00

COM/RAD-013 556041 12-03-15



COMPTROLLER *of* MARYLAND

Interactive Web Services

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[Extension Request](#)
[Refund Status](#)
[Unclaimed Property](#)

Businesses Tax
[Business Registration](#)
[Employer Withholding](#)
[Exemption Verification](#)
[Extension Request](#)

Directories
[Contact Information](#)

Estimated Maryland and Local Tax Calculator - Tax Year 2016

This is an online version of the Form 502D tax worksheet. You can use this calculator to compute the amount of tax due, but this system does not allow you to file or pay the amount online. Once you have submitted the information, this system will generate an Estimated Tax Worksheet. Use this worksheet to complete the 502D form. Nonresidents: Please use the [Estimated Nonresident Tax Calculator](#)

Filing Status	<input type="text" value="Single"/>
Estimated Federal Adjusted Gross Income:	<input type="text" value="48630"/>
Modifications to income:	
Additions	<input type="text" value="0"/>
Subtractions	<input type="text" value="0"/>
Deductions:	
<input checked="" type="radio"/> Standard	<input type="text" value="0"/>
<input type="radio"/> Itemized	
Personal Exemptions:	
Regular Exemptions	<input type="text" value="1"/>
Additional Exemptions	<input type="text" value="0"/>
Dependents:	
Number under 65	<input type="text" value="0"/>
Number over 65	<input type="text" value="0"/>
County:	<input type="text" value="Montgomery"/>
Credits:	
Maryland tax withheld or previously paid for 2016	<input type="text" value="0"/>
Tax paid to another state	<input type="text" value="0"/>
Business credits	<input type="text" value="0"/>

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estim



Online Services:

Individuals Tax

- [iFile](#)
- [Estimated Tax Calculator](#)
- [Extension Request](#)
- [Refund Status](#)
- [Unclaimed Property](#)

Businesses Tax

- [Business Registration](#)
- [Employer Withholding](#)
- [Exemption Verification](#)
- [Extension Request](#)

Directories

- [Contact Information](#)

Maryland Estimated Maryland and Local Tax Worksheet - Tax Year 2016

Result:

1. Total income expected in 2016:	\$48,630.00
2. Net Modifications:	\$0.00
3. Maryland Adjusted Gross Income:	\$48,630.00
4. Standard deduction:	\$2,000.00
5. Maryland Net Income:	\$46,630.00
6. Personal exemptions:	\$3,200.00
7. Taxable Net Income:	\$43,430.00
8. Maryland Income Tax:	\$2,010.43
9. Local or Special Nonresident Income Tax:	\$1,389.76
10. Total 2016 Maryland and local income tax:	\$3,400.19
11. CREDITS	
a. Income tax to be withheld from wages by employers during year 2016:	\$0.00
b. Credit for tax paid to another state:	\$0.00
c. Business tax credits	\$0.00
d. Total tax credits:	\$0.00
12. Total estimated tax to be paid by declaration:	\$3,400.19
13. Amount to be submitted with declaration (1/4 of total):	\$850.05

You can make an estimated payment tax payment on line by [Direct Debit](#) or [Credit Card Payments](#).

Once you make your payment online, your transaction is complete and you do not need to file Form 502D.

However, if you do not choose to pay online, you must complete [Form 502D](#) and submit your payment according to the mailing instructions on the form.

Start Over