

General Background

How to Complete Your Nonresident PhD Trainee Tax Return Emily Roberts, PhD Personal Finance for PhDs

In this module, I'll introduce you to the US federal income tax system with some concepts and terms that you'll need to know to navigate it.

Income Tax

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In this workshop, we are focused solely on income tax. There are lots of types of taxation in the US, from sales tax to property tax to Social Security tax, but those tax systems are not nearly as complex and individualized as the income tax system. As the name implies, this is a tax levied on certain types and amounts of income.

By the way, the US has not always had a federal income tax. It was instituted in 1909 with the sixteenth amendment to the Constitution.

Federal, State, Local

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There are three levels of governing bodies that could have an interest in taxing your income, depending on where you live. The US government might tax your income—that's what I mean by federal income tax.

Forty-two of the fifty states broadly tax personal income, and that is known as state income tax. The states that don't levy income tax are Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming. Additionally, New Hampshire only taxes investment and interest income.

Your local city or county might levy an income tax, although that is not very widespread.

In this workshop, we are focused solely on federal income tax.



Internal Revenue Service

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Vocabulary alert! The Internal Revenue Service or IRS is the federal agency that collects income tax. This is the agency that creates the forms you will file and that are filed on your behalf and the resources you might reference.

Individual Responsibility

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Unlike many other countries, in the US it is the responsibility of each person to calculate their income tax liability and file any required forms. This can be a long and onerous process for people with complex financial lives, and a whole industry has developed to support individuals and businesses in this task, of which I am a part.

The method by which each individual or household calculates their income tax bill is to prepare their tax return. Some people may be excused from the responsibility of filing a tax return if their income is low enough. However, nonresidents almost always end up filing some kind of forms with the IRS.



Tax Liability

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Vocabulary alert! Your tax liability is the total amount of income tax that you must pay to the IRS for a given calendar year.



Tax Return

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Vocabulary alert! A tax return is a form or set of forms created by the IRS and filled out by each person. These forms help you calculate your tax liability.

You might notice that a lot of Americans misuse the term tax return—more on that in a few minutes.

Who Has to File?

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If you are a nonresident, you almost certainly have some kind of filing requirement with the IRS. We'll discuss two potential requirements in this section: Form 8843 and your tax return.

Form 8843

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According to Publication 4152 p. 1-28, Form 8843 must be filed by “all nonresident aliens who are excluding days of presence from the substantial presence test... even if they had no income.” As a nonresident on an F or J visa, that very likely applies to you.

Tax Return

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If you have an income, you're very likely to be required to file a tax return, either to calculate your tax liability in the US or to prove that you don't have any tax liability in the US.

Specifically, the IRS lists on its website who among foreign students, scholars, teachers, researchers, and exchange visitors is required to file a tax return, quoted next:

[Source: <https://www.irs.gov/individuals/international-taxpayers/foreign-students-scholars-teachers-researchers-and-exchange-visitors>]

“Filing IS required by nonresident alien students and scholars who have:

1. A taxable scholarship or fellowship grant, as described in Chapter 1 of Publication 970;
2. Income partially or totally exempt from tax under the terms of a tax treaty; and/or
3. Any other income that is taxable under the Internal Revenue Code.”

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“Filing IS required by nonresident alien students and scholars who have:

1. A taxable scholarship or fellowship grant, as described in Chapter 1 of Publication 970, Tax Benefits for Education;
2. Income partially or totally exempt from tax under the terms of a tax treaty; and/or
3. Any other income that is taxable under the Internal Revenue Code.”

“Filing IS NOT required by nonresident alien students and scholars who have income ONLY from:

1. Foreign sources;
2. Interest Income from a:
 - a. U.S. bank
 - b. U.S. savings & loan institution
 - c. U.S. credit union
 - d. U.S. insurance company

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 - b. U.S. savings & loan institution
 - c. U.S. credit union
 - d. U.S. insurance company”

3. “An investment that generates Portfolio Interest (Described in Chapter 3 "Exclusions From Gross Income" - "Interest Income" – "Portfolio interest" of Publication 519, U.S. Tax Guide for Aliens);
4. A scholarship or fellowship grant that is entirely a Tax Free Scholarship or Fellowship Grant as described in Chapter 1 of Publication 970; and/or

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3. “An investment that generates Portfolio Interest (Described in Chapter 3 "Exclusions From Gross Income" - "Interest Income" – "Portfolio interest" of Publication 519, U.S. Tax Guide for Aliens);
4. A scholarship or fellowship grant that is entirely a Tax Free Scholarship or Fellowship Grant as described in Chapter 1 of Publication 970, Tax Benefits for Education; and/or”

5. “Any other income that is nontaxable under the Internal Revenue Code. However, income that is not taxable because of an income tax treaty must be reported on a U.S. income tax return even though no income tax is due on the U.S. income tax return.”

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“5. Any other income that is nontaxable under the Internal Revenue Code. However, income that is not taxable because of an income tax treaty must be reported on a U.S. income tax return even though no income tax is due on the U.S. income tax return.”

Deadline

Generally: April 15

For tax year 2025: April 15, 2026

With extension: October 15, 2026

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The deadline for filing a tax return is generally April 15th of each year.

If you file for an extension, you can take another six months to submit your tax return; however, any balance you are supposed to pay on your tax liability is still due by the April deadline.

I recommend submitting your tax return as soon as you are able and definitely before the April deadline. You won't receive any refund that you might be due until after you submit your return.

You don't have to wait until April to submit, by the way; the IRS usually starts accepting tax returns around mid-January.

1040-NR Department of the Treasury - Internal Revenue Service
U.S. Nonresident Alien Income Tax Return 2024
OMB No. 1545-0047
For the year Jan. 1-Oct. 31, 2024, or other tax year beginning 2024, ending 20
Your first name and middle initial Last name Your identifying number (see instructions) Apt. no.
Home address (number and street), if you have a P.O. box, see instructions. State ZIP code
City, town, or post office. If you have a foreign address, also complete spaces below. Foreign postal code
Foreign country name Foreign province/state/county Foreign postal code
Filing Status: ☐ Single ☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QS) ☐ Estate ☐ Trust
Check only one box.
Digital Assets: At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No
Dependents: (See instructions.)
If more than four dependents, see instructions and check here ☐
Income Effectively Connected With U.S. Trade or Business:
1a Total amount from Form(s) W-2, box 1 (see instructions) 1a
b Household employee wages not reported on Form(s) W-2 1b
c Tip income not reported on line 1a (see instructions) 1c
d Medical waiver payments not reported on Form(s) W-2 (see instructions) 1d
e Taxable dependent care benefits from Form 2441, line 20 1e
f Employer provided adoption benefits from Form 8839, line 29 1f
g Wages from Form 8819, line 6 1g
h Other earned income (see instructions) 1h
i Reserved for future use 1i
j Reserved for future use 1j
k Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 10k 1k
2 Add lines 1a through 1h 2
2a Tax-exempt interest 2a
3a Qualified dividends 3a
4a IRA distributions 4a
5a Pensions and annuities 5a
6 Reserved for future use 6
7 Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here ☐ 7
8 Additional income from Schedule 1 (Form 1040), line 10 8
9 Add lines 1a, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income 9
10 Adjustments to income from Schedule 1 (Form 1040), line 20. These are your total adjustments to income 10
11 Subtract line 10 from line 9. This is your adjusted gross income 11
12 Renter's deduction from Schedule A (Form 1040-NR) or, for certain residents of India, standard deduction (see instructions) 12
13a Qualified business income deduction from Form 8965 or Form 8966-A 13a
b Exemptions for estates and trusts only (see instructions) 13b
c Add lines 13a and 13b 13c
14 Add lines 12 and 13c 14
15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income 15
Tax and Credits:
16 Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐ 16
17 Amount from Schedule 2 (Form 1040), line 3 17
18 Add lines 16 and 17 18
19 Child tax credit or credit for other dependents from Schedule 8812 (Form 1040) 19
20 Amount from Schedule 3 (Form 1040), line 8 20
21 Add lines 19 and 20 21
22 Subtract line 21 from line 18. If zero or less, enter -0- 22
23a Tax on income not effectively connected with a U.S. trade or business from Schedule NEC (Form 1040-NR), line 15 23a
b Other taxes, including self-employment tax, from Schedule 2 (Form 1040), line 21 23b
c Transportation tax (see instructions) 23c
d Add lines 23a through 23c 23d
24 Add lines 22 and 23d. This is your total tax 24
Payments:
25 Federal income tax withheld from:
a Form(s) W-2 25a
b Form(s) 1099 25b
c Other forms (see instructions) 25c
d Add lines 25a through 25c 25d
e Form(s) 8802 25e
f Form(s) 8328-A 25f
g Form(s) 1042-C 25g
26 2024 estimated tax payments and amount applied from 2023 return 26
27 Reserved for future use 27
28 Additional child tax credit from Schedule 8812 (Form 1040) 28
29 Credit for amount paid with Form 1040-C 29
30 Reserved for future use 30
31 Amount from Schedule 3 (Form 1040), line 15 31
32 Add lines 28, 29, and 31. These are your total other payments and refundable credits 32
33 Add lines 25d, 25e, 25f, 25g, 26, and 32. These are your total payments 33
34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid 34
35a Amount of line 34 you want refunded to you. If Form 8888 is attached, check here ☐ 35a
b Routing number 35b
c Type: ☐ Checking ☐ Savings 35c
d Account number 35d
e If you want your refund check mailed to an address outside the United States not shown on page 1, enter it here.
36 Amount of line 34 you want applied to your 2025 estimated tax 36
37 Subtract line 36 from line 34. This is the amount you owe 37
38 Estimated tax penalty (see instructions) 38
Third Party Designee: Do you want to allow another person to discuss this return with the IRS? See instructions. ☐ Yes. Complete below. ☐ No
Designee's name Phone Personal identification number (PIN)
Sign Here: Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation If the IRS sent you an Identity Protection PIN, enter it here
Phone no. Email address
Paid Preparer Use Only: Preparer's name Preparer's signature Date PTIN Check if: ☐ Self-employed
Firm's name Firm's address Firm's EIN
Go to www.irs.gov/Form1040NR for instructions and the latest information. Form 1040-NR (2024)

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There is one base form that everyone who files a tax return will have to fill out and file, which is Form 1040. There is a nonresident version of this form, which is Form 1040-NR. Depending on the complexity of your financial life, Form 1040 might instruct you to fill out and file additional forms alongside it. We'll discuss Form 1040-NR further in the module titled "Form 1040-NR."

SCHEDULE OI
(Form 1040-NR)
Department of the Treasury
Internal Revenue Service

Other Information
Attach to Form 1040-NR.
Go to www.irs.gov/Form1040NR for instructions and the latest information.
Answer all questions.

OMB No. 1545-0074
2024
Attachment
Sequence No. 7C

Name shown on Form 1040-NR

Your identifying number

A Of what country or countries were you a citizen or national during the tax year?

B In what country did you claim residence for tax purposes during the tax year?

C Have you ever applied to be a green card holder (lawful permanent resident) of the United States? ☐ Yes ☐ No

D Were you ever:

1. A U.S. citizen? ☐ Yes ☐ No

2. A green card holder (lawful permanent resident) of the United States? ☐ Yes ☐ No

If you answered "Yes" to (1) or (2), see Pub. 519, chapter 4, for expiration rules that apply to you.

E If you had a visa on the last day of the tax year, enter your visa type. If you didn't have a visa, enter your U.S. immigration status on the last day of the tax year.

F Have you ever changed your visa type (nonimmigrant status) or U.S. immigration status? ☐ Yes ☐ No

G List all dates you entered and left the United States during 2024. See instructions.
Note: If you're a resident of Canada or Mexico AND commute to work in the United States at frequent intervals, check the box for Canada or Mexico and skip to item H.

Date entered United States
mm/dd/yy

Date departed United States
mm/dd/yy

☐ Canada ☐ Mexico

Date entered United States
mm/dd/yy

Date departed United States
mm/dd/yy

H Give number of days (including vacation, nonworkdays, and partial days) you were present in the United States during:

2022 ☐ 2023 ☐ 2024

I Did you file a U.S. income tax return for any prior year? ☐ Yes ☐ No
If "Yes," give the latest year and form number you filed.

J Are you filing a return for a trust? ☐ Yes ☐ No
If "Yes," did the trust have a U.S. or foreign owner under the grantor trust rules, make a distribution or loan to a U.S. person, or receive a contribution from a U.S. person? ☐ Yes ☐ No

K Did you receive total compensation of \$250,000 or more during the tax year? ☐ Yes ☐ No
If "Yes," did you use an alternative method to determine the source of this compensation? ☐ Yes ☐ No

L Income Exempt From Tax—If you are claiming exemption from income tax under a U.S. income tax treaty with a foreign country, complete (1) through (3) below. See Pub. 901 for more information on tax treaties.

1. Enter the name of the country, the applicable tax treaty article, the number of months in prior years you claimed the treaty benefit, and the amount of exempt income in the columns below. Attach Form 8833 if required. See instructions.

(a) Country	(b) Tax treaty article	(c) Number of months claimed in prior tax years	(d) Amount of exempt income in current tax year

(e) Total. Enter this amount on Form 1040-NR, line 1k. Do not enter it anywhere else on line 1.

2. Were you subject to tax in a foreign country on any of the income shown in 1(d) above? ☐ Yes ☐ No

3. Are you claiming treaty benefits pursuant to a Competent Authority determination? ☐ Yes ☐ No
If "Yes," attach a copy of the Competent Authority determination letter to your return.

M Check the applicable box if:

1. This is the first year you are making an election to treat income from real property located in the United States as effectively connected with a U.S. trade or business under section 871(b). See instructions. ☐

2. You have made an election in a previous year that has not been revoked, to treat income from real property located in the United States as effectively connected with a U.S. trade or business under section 871(b). See instructions. ☐

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see the Instructions for Form 1040-NR. Cat. No. 727567

Schedule OI (Form 1040-NR) 2024

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Another form that many of you will file as part of your tax return is Form 1040-NR Schedule OI, which is for claiming an exemption from income tax due to a tax treaty. We'll discuss tax treaties further in the module titled "Tax Treaties" and Schedule OI further in the module titled "Schedule OI."

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What Is My Marital Filing Status?

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There are several possible filing statuses with respect to whether you are or were married in 2024.

Nonresidents generally can file as single, married filing separately, or qualifying surviving spouse.

The following quotes are from Publication 519 Chapter 5.

Single

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If you have never been married or are divorced, your filing status is single.

Married Filing Separately

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If you were married at the end of 2025, you are likely to file married filing separately, with some exceptions.

“Married nonresident aliens who are not married to U.S. citizens or residents must generally use the Tax Table column or the Tax Computation Worksheet for married filing separate returns when determining the tax on income effectively connected with a U.S. trade or business.”

Married Filing as Single

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“Married nonresident aliens normally cannot use the Tax Table column or the Tax Computation Worksheet for single individuals. However, you may be able to file as single if you lived apart from your spouse during the last 6 months of the year and you are a married resident of Canada, Mexico, or South Korea, or are a married U.S. national.”

Married Filing Jointly

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“A nonresident alien generally cannot file as married filing jointly. However, a nonresident alien who is married to a U.S. citizen or resident can choose to be treated as a resident and file a joint return on Form 1040 or 1040-SR.” We’ll discuss this option further in the module titled “Resident or Nonresident?”

Qualifying Surviving Spouse

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If you were married but your spouse died in 2023 or 2024 and you have a child, you might be able to file as a qualifying surviving spouse. You can read more about the terms for this filing status in the Instructions for Form 1040-NR and the Instructions for Form 1040 in the Filing Status sections.

What Income Is Taxed?

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What income is subject to income tax, according to the IRS?

US Citizens/Residents

Nonresidents

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For US citizens and residents, the US expects them to pay income tax on their worldwide income.

However, for nonresidents, by default the US expects them to pay income tax only on the income that is “effectively connected” with a US trade or business. There will be more details on this in future modules, but for now, the important thing to know is that some or all of your income may not be subject to US income tax.



Citizen/Resident vs. Nonresident

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Vocabulary alert! The US tax system distinguishes between US citizens/residents and nonresidents. Technically the term is resident alien or nonresident alien, but I will use resident or nonresident in this workshop.

US citizens are fairly straightforward to identify, as are permanent residents aka green card holders.

People who are residents of another country who come to the US on a nonimmigrant visa like an F or J visa are nonresidents upon arriving, but at some point they may become residents for tax purposes. We have a whole module devoted to helping you determine whether you are a nonresident or resident for tax purposes, which is titled “Resident or Nonresident?”

What Is *Not* Income?

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In addition to the IRS only being interested in the effectively connected income of nonresidents, there are some sources of money that are not considered income for tax purposes. Amounts of money loaned to you, like a student loan, car loan, or mortgage, are not considered income. Personal gifts are also not considered income. You don't have to report receiving loans or personal gifts on your tax return.

Progressive Tax System

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The US has a progressive tax system, which means, roughly speaking, that higher incomes are taxed at higher rates.

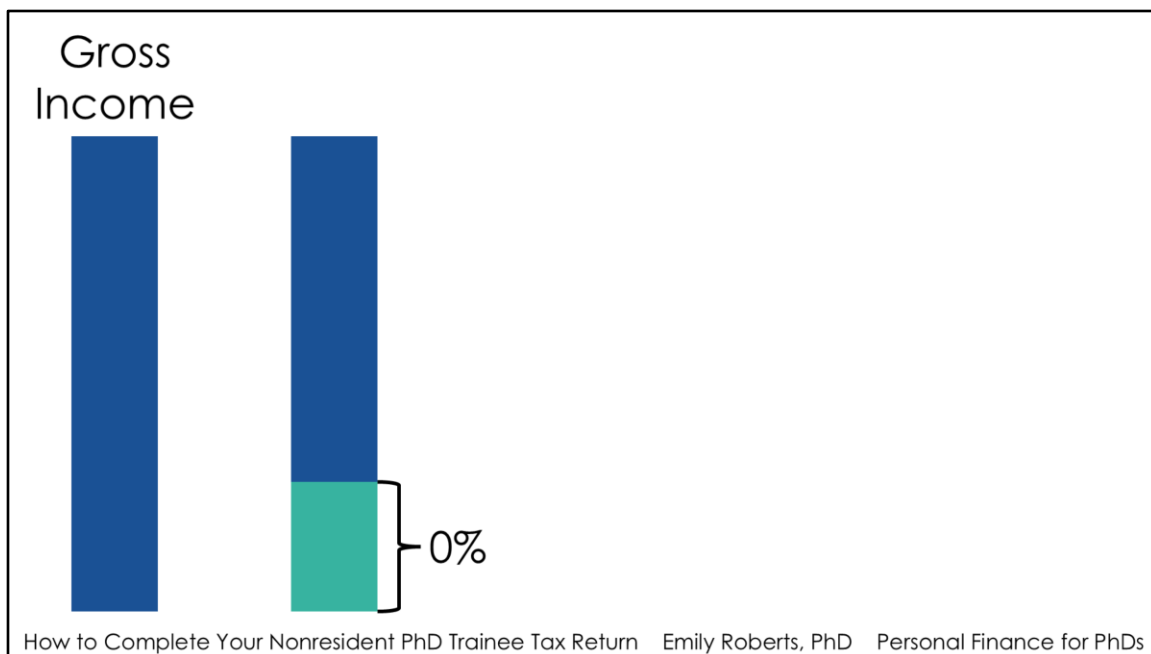
Gross
Income



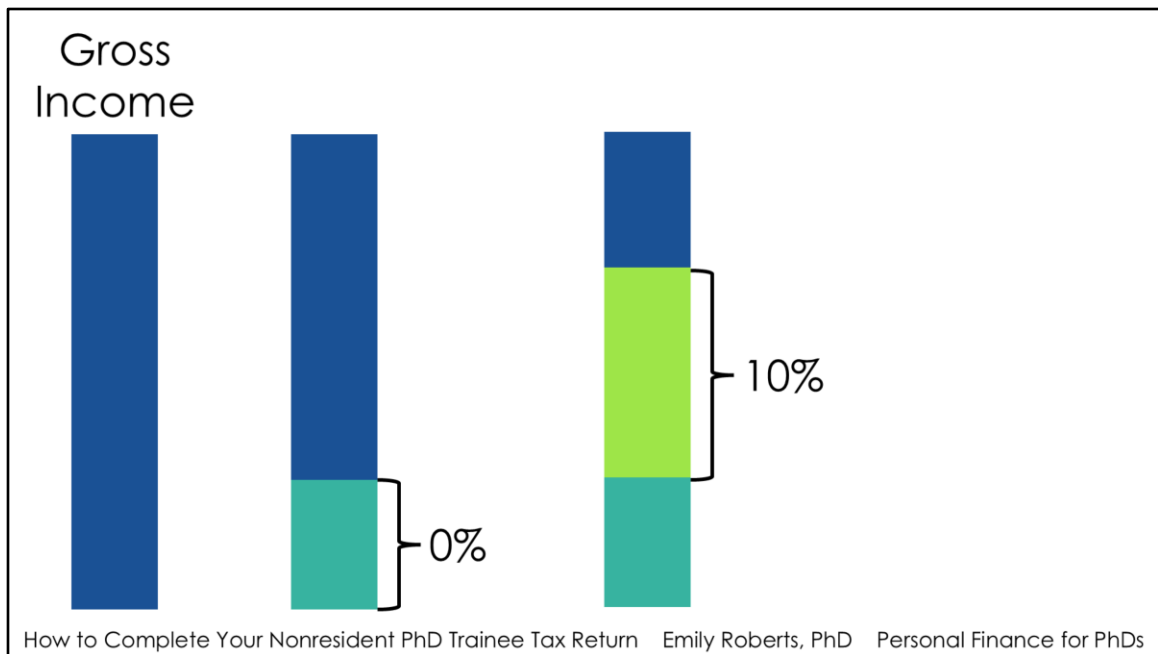
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This is how the progressive tax system works.

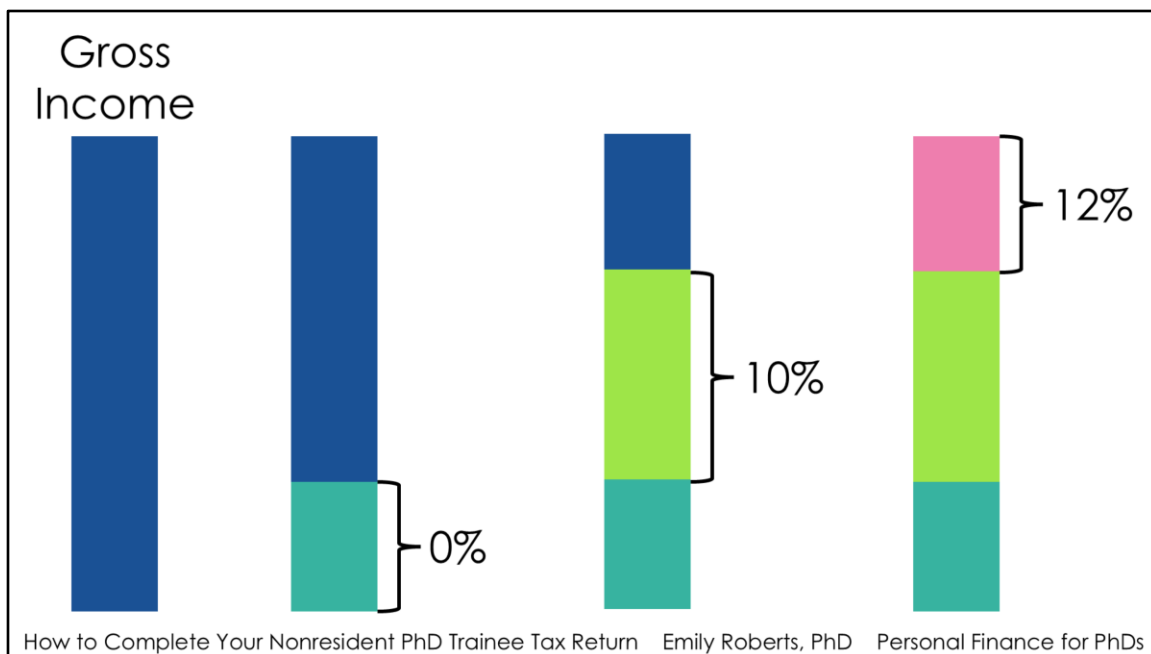
Your gross income is your total yearly income that the US has an interest in taxing.



Out of your gross income, there may be some that is not taxed at all. This might be because a tax treaty applies to you, you have qualified education expenses, or you have deductions.

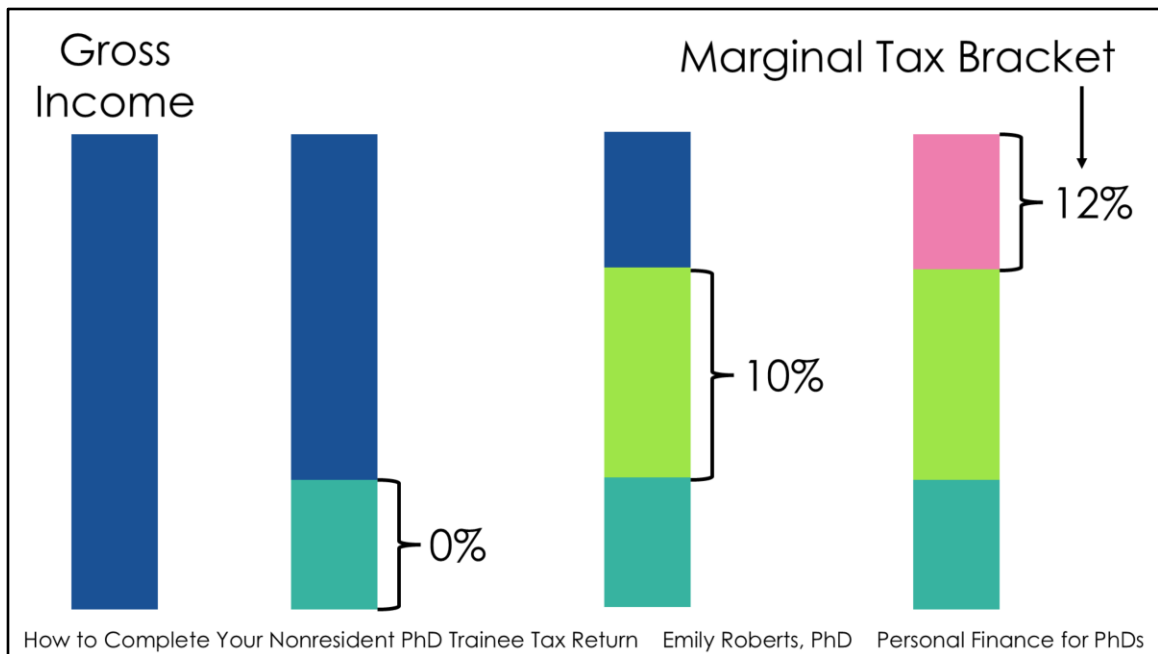


After that untaxed segment, the next segment of your income is taxed at 10%.



After the 10% segment, the next segment of your income is taxed at 12%.

If you had even more income above this segment, it would be taxed at 22%, then 24%, then on and on for higher incomes, up to a top income tax rate of 37%.



The tax bracket that the very last dollar of your income falls into is called your marginal tax bracket. For most single graduate students, that top tax bracket is 12% or lower. A single postdoc might fall into the 22% marginal tax bracket, but often lower.

You can see that not every dollar of your income is taxed at 12% or 22%. There is some that is not taxed, some that is taxed at 10%, some that is taxed at 12%, etc. The idea that every dollar of your income is taxed at your top marginal income tax rate is a common misconception among Americans.



Gross income

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Vocabulary alert! Your gross income is your total income that the US might have an interest in taxing. It does include the amount of money that you will ultimately pay in income tax, if any, and amounts that might end up going untaxed.



Deductions

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Vocabulary alert! A tax deduction is an amount of money that is not subject to income tax. You deduct this amount from your gross income when calculating your taxable income.



Taxable income

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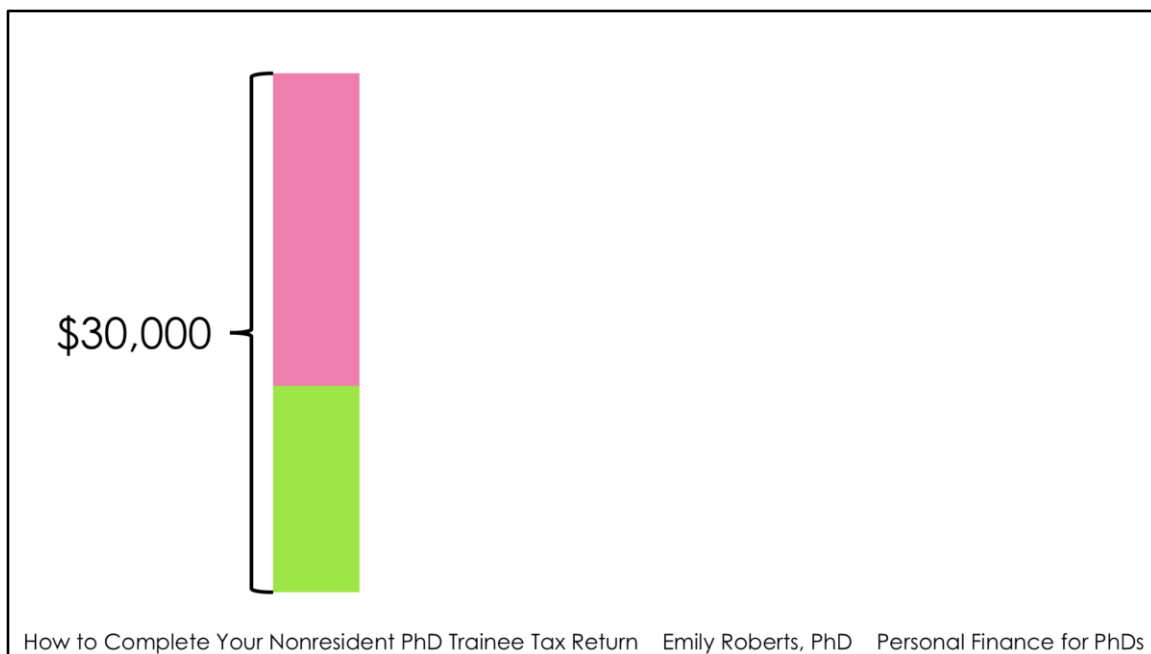
Vocabulary alert! Your taxable income is your gross income less any deductions or tax-free portions, and it's the income from which you calculate your tax liability.



Credits

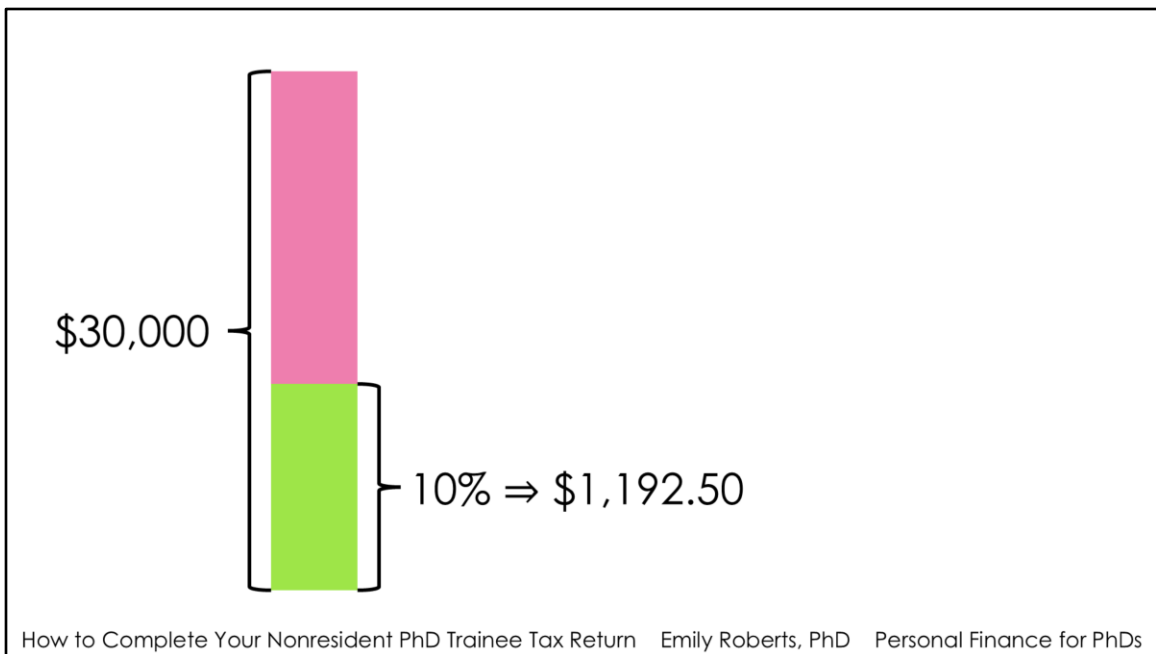
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Vocabulary alert! A tax credit is an amount of money that you get to subtract from your tax liability. For example, if based on your taxable income you calculate a tax liability of \$1,000, but then you can apply a \$250 tax credit, your tax liability is reduced to \$750.

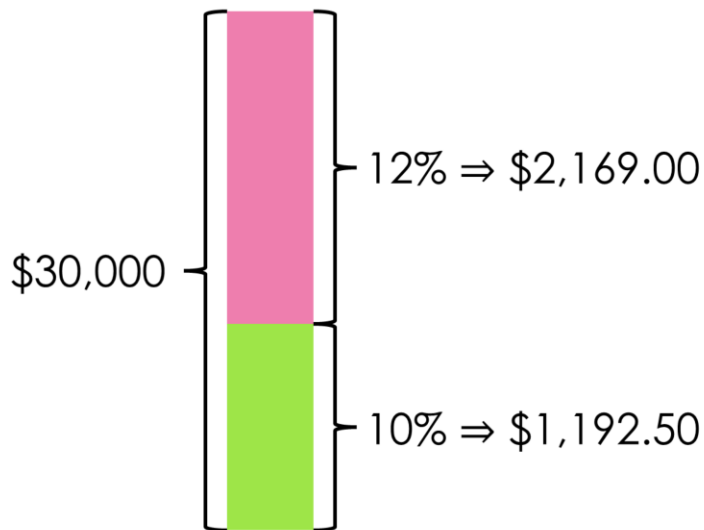


Let's do a simple and quick example for a single nonresident grad student to whom a tax treaty does not apply.

This person has \$30,000 of income in 2025 from their stipend. Their education expenses, all of which are qualified education expenses, are paid entirely on their behalf from additional funds. They don't have any additional deductions to apply, so their taxable income is \$30,000.

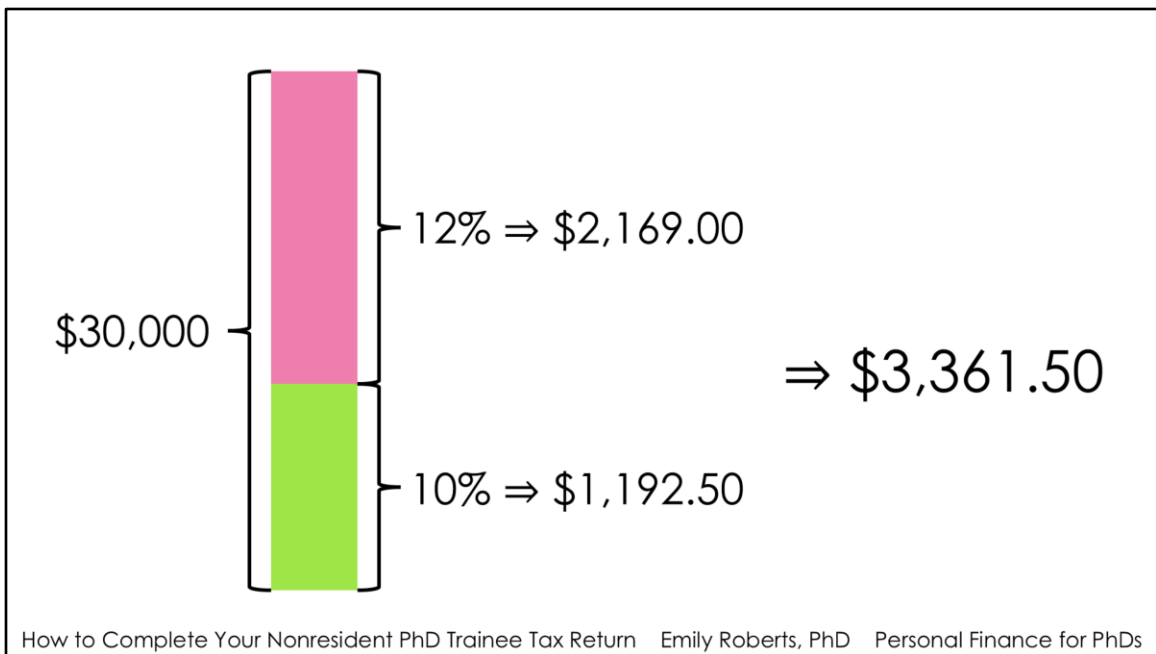


The 10% tax bracket goes from \$0 to 11,925, so the tax from that first segment of income is \$1,192.50.



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The 12% tax bracket goes from \$11,926 to 48,475, which is higher than this person's income. The remainder of their \$18,075 of income is taxed at 12%, so the tax from the second segment is \$2,169.



This person's initial tax liability is \$3,361.50 or \$3,362. Since they don't have any tax credits to apply, this is their tax liability.

Tax Treaties

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The US also has negotiated tax treaties with many other countries that give the residents of both countries a tax break. We have a whole module on tax treaties, which is titled “Tax Treaties.” The terms of a tax treaty can override any aspect of the default way that nonresident income or even resident income is taxed, so it’s vital that you uncover if a treaty is in place and if so what the terms are.

Income Tax Withholding

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When you receive your paycheck for your stipend or salary, you most likely do not receive your full salary, your gross income.

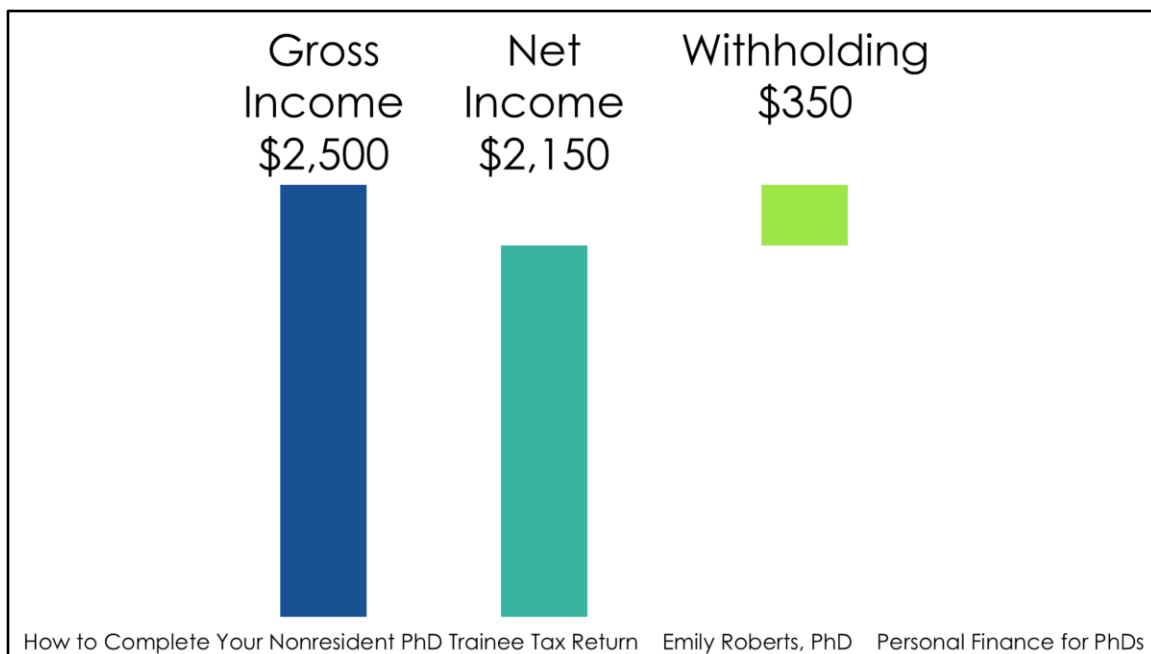
Gross
Income
\$2,500



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For example, if you are set to be paid \$30,000 per year in regular monthly paychecks, your gross monthly income is \$2,500.

However, your paycheck is likely to be smaller than that because of income tax withholding. Income tax withholding is when your university or institute reserves a portion of your income and sends it to the IRS on your behalf. The IRS expects to receive incremental income tax payments throughout the year rather than a lump sum payment along with your tax return.



The standard income tax withholding rate on the income of a person on an F or J visa is 14% unless a tax treaty applies. In our example, assuming no tax treaty applies, that means that \$350 is withheld and this person's net income or after-tax income is \$2,150 per month.

Withholding < Liability

⇒ **Additional tax due**

Withholding > Liability

⇒ **Tax refund**

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When you prepare your tax return, you'll report how much of your income was already sent in through income tax withholding. Then, you will settle up with the IRS when you file your tax return.

If your income tax withheld was less than your tax liability, you will owe additional tax.

If your income tax withheld was more than your tax liability, which is most common for nonresidents, you will receive a tax refund.

Gross income	\$30,000
Withholding	\$4,200
Tax liability	\$3,362
Tax refund	\$838

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For the example we've been working with in this module for a grad student with \$30,000 of income, their tax withholding would total \$4,200, whereas their tax liability was \$3,362. This person would receive a tax refund of \$838.



Net income

How to Complete Your Nonresident PhD Trainee Tax Return Emily Roberts, PhD Personal Finance for PhDs

Vocabulary alert! Your net income, also known as your after-tax income, is the income that you receive in your paycheck after income tax has been withheld.



Tax refund

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Vocabulary alert! A tax refund is when the IRS sends your money back to you—the amount of your income tax withholding that was in excess of your actual tax liability. A lot of Americans call this refund a tax return, whereas a tax return is the set of forms that you file.