

# Income Tax Reporting Requirements

In the United States, individuals must pay income tax throughout the year. Employers withhold tax payments from your paycheck and send it directly to the Federal or State government. After the year has ended, individuals file tax returns to confirm their earnings, calculate the tax owed and determine if they over- or underpaid during the year. If you paid more in tax than you should have, you will get a refund. If you paid less than you should have, you will need to make a tax payment.

Individual reporting requirements and tax obligations vary depending on many factors, including:

- Filing status
- Income and earnings
- Exemptions
- [Tax treaties](#)

These can change over time and are often impacted by major life events.

Most student who earn income while in the United States or have scholarships that are taxable will need to file both Federal and State tax returns.

## Plan Ahead to File On Time

Tax returns report on the previous calendar year (January – December) and are due on April 15 each year. Do NOT wait until the last minute to prepare your tax forms! You will be assessed penalty charges if you do not file on time.

*Extensions:* If you need additional time to prepare and file your Federal tax forms, you can file [Form 4868](#) to request an automatic extension for 6 months. To be eligible, this form must be filed by the **April 15th deadline**. This extension does NOT apply to any tax payments that may be due. Therefore, any tax payment due to IRS will be subject to interest charges.

Requests to extend state tax filings may not be satisfied with the Federal extension; please check with the respective state tax authority for extension requirements as these may need to be handled separately. Requesting an extension does NOT mean you have filed a tax return, since an extension only provides you with additional time to send any required tax return forms to the US government or State authority.

## Collect the Necessary Documents

Be sure you have statements of all sources of US income for the past calendar year. Most statements are sent directly to individuals either by mail or can be accessed electronically. Generally, these statements are available by the end of January or mid-February.

Your individual statements will depend on your earnings and activities in the US during the relevant tax year. Start your taxes only when you are sure you have the documents from all income sources. Otherwise, any tax return forms generated will NOT be an accurate representation of your tax situation.

Common income and tax statements include:

- W-2 (reports employment earnings)
- 1042-S (reports taxable scholarships)

- 1099 (reports non-employee compensation)
- 1098-T (reports payments for education)

## Complete and File Your Tax Forms

Many students and scholars choose to complete their own tax forms and mail their return directly to the IRS and the State in which they file. The instruction sheet that corresponds to the tax form will provide you with specific information regarding which documents should be included with your tax return and the appropriate mailing address. Be aware in the days leading up to income tax deadline, many US Post Office locations will have longer than normal wait times to buy postage and/or send mail.

*Assistance:* There are several tax preparation services available that can provide additional support. These services often help you to file online and have “chat” features so that you can talk to a tax professional and get advice on completing your tax returns.

- Sprintax ([www.sprintax.com](http://www.sprintax.com)) – this company specializes in US Tax preparation for nonresidents. They do charge a fee for this service.

## Federal Tax Returns

You must file a federal tax return if you have:

1. A taxable scholarship or fellowship grant
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 (including salary and wages)

## Determine your Tax Residential Status

Your tax reporting requirements depend on whether you are categorized as a "Resident Alien" or a "Nonresident Alien" for tax purposes. Determine your status based by reviewing the IRS website [Aliens – Which Form to File](#). Your tax category can also change over time, so be sure to verify your filing status each year.

Forms and instructions are available on the US Internal Revenue Service (IRS) website.

## Filing your Federal Tax Return

Nonresident Alien for tax purposes:

- You must file [Form 8843](#), the Statement of Nonresident Status, even if you did not receive any type of US income. Parents may sign this form for young Nonresident Alien child dependents.
- Each year, you must report all US earnings using [Form 1040NR](#). This form will also allow you to request a refund for any tax withholdings greater than the calculated tax amount you ultimately owe.

Resident Alien for tax purposes

- Report earnings using [Form 1040](#). Each year, you must report US earnings if the amount was at least \$12,400 for single filers (this amount differs depending on your filing status). If your 2020 income was less than \$12,400 you are not required to file a tax return. However, if taxes were withheld from your payments throughout the year, you must file a tax return to calculate any refund amount and to collect this money back from the government.

- In your **FIRST YEAR** when you need to count your days of presence in the US to determine your tax residency status, you could be a Nonresident Alien for part of the year and Resident Alien for the other part of the year. This status is commonly referred to as a Dual-Status taxpayer. Under this status, you may not be eligible for most tax credits. You are also not allowed to file a joint tax return with your spouse, even if they are a US citizen or Resident Alien.
- Filing as a Resident Alien for tax purposes, you will be eligible for the same credits and deductions as a US citizen or Permanent Resident. However, Resident Aliens may have many tax items to consider under US tax policy, such as reporting worldwide income. Certain caveats, such as the Foreign Tax Credit and others, can be utilized to lessen the burden of US tax.

## Document Retention Guidelines

Whether you e-file or file paper forms by mail, the law requires you to keep copies for at least 3 years of the tax forms you submit to the Federal government and any state government agency. This documentation will be needed if there is any error on your tax forms, or you have a need to verify compliance with tax reporting requirements for immigration or other purposes.

## State Tax Returns

State taxes vary by the state where income was earned during the tax year. As a result, forms must be filed separately for each state.

*Example:* If you worked for McKendree University (in Illinois) and completed a summer internship in St. Louis (Missouri) then you may need to file several forms, including 1) a Federal tax return for all US earnings and income, 2) a State tax return for Illinois, and 3) a State tax return for Missouri.

Each state will determine whether you are considered a resident for tax purposes, depending on the laws of that state, which may differ from your tax residency category with the US government at the federal level. This state-level determination can impact what income and withholdings you must report and what forms to file.

In most states, forms must be submitted if you intend to claim a refund of eligible withholdings and there is often an earnings minimum (calculated from your federal return) to determine individual tax reporting obligations.

### State of Illinois

The tax return form for the State of Illinois is the [IL-1040](#).

The website for the [State of Illinois Department of Revenue](#) can be a good resource for information and is where you would file your return online (using MyTaxIllinois).

### Other State Returns

Find additional information on the tax agencies for other states at the [Federation of Tax Administrators](#) website.

## Tax on Scholarships

McKendree University is required to withhold and remit tax on Scholarships to the Federal Government. Each semester, the Business Office reviews accounts of international students to determine if there is a taxable scholarship and a required tax withholding.

Scholarships to international students that, in total, are greater than tuition, fees, books and instructional supplies are taxable at a 14% rate. The tax amount will be charged to the student's account in the term the tax is incurred. You may have tax obligations in multiple terms.

Student from countries with which the United States has a [tax treaties](#) may be exempt from this tax obligation.

The tax remitted to the Federal Government is reported to the student each February on Form 1042-S.