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Tax Prep Dispatch: Foreign Student Returns

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Earn It! Keep It! Save It!, a program deployed by the United Way Bay Area, San Francisco, has been preparing tax returns for foreign students for many years. Here, we explain how they developed this program, describe



programs interested in providing similar services.

Thanks to Gezche Graves, Program Manager at United Way Bay Area, for writing this Dispatch and Colleen Smallfield, Director of Earn It! Keep It! Save It!, for coordinating this effort.

Why Should a VITA Program Prepare Foreign Student Returns?

Foreign students are taxpayers that often fall within VITA income eligibility. Foreign students are students from another country studying in the U.S. on a non-immigrant visa. They work campus jobs or have paid internships and need to file their taxes come tax time.

We feel a sense of purpose to serve these taxpayers. Most are new to navigating the tax code. Moreover, many are strapped for cash and have few options for tax preparation and filing, either through self-prep or paid preparation. We've set up a program model that allows us to efficiently help this important group by simplifying the administrative responsibilities and allowing students to have a hand in preparing their own returns.

How Are Foreign Student Returns Different?

The primary difference between foreign student returns and returns for U.S. citizens and residents is that foreign




NR, U.S. Nonresident Alien Income Tax Return, or Form 1040-NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents, along with:

- Schedule OI, Other Information (which justifies the use of Form 1040-NR rather than Form 1040)
- Form 8843, Statement for Exempt Individuals and Individuals with a Medical Condition. This form is to prove that they are exempt from the substantial presence test or simply put, exempt from being a resident for tax purposes.
- Schedule NEC, Tax on Income Not Effectively Connected with a U.S. Trade or Business


In addition to different forms, there are other ways in which foreign student returns are different from U.S. resident tax returns:

- Not all foreign students qualify for the standard deduction and the types of itemized deductions that foreign students can claim are limited.
- Even if a foreign student appears to have no filing requirement, the student still may have to file a Form 8843, whether or not they have a social security number or ITIN.
- Non-residents don't qualify for many credits, including the Earned Income Tax Credit and education credits, even if their income falls within the appropriate income range.



returns and do not qualify for the benefits of a joint return.

- Foreign students don't have to pay self-employment tax, even if they have a Form 1099-MISC and are filing a Schedule C.
- Foreign students who have an F, J, M or Q visa are not subject to social security and Medicare taxes. Sometimes their employers incorrectly withhold social security and Medicare taxes from their paychecks. In such cases, the foreign student may need to file a Form 843, Claim for Refund and Request for Abatement, and attach relevant documents to get a refund from the IRS.
- Many states do not yet offer the e-filing of nonresident returns.
- Residency for tax purposes and residency for immigration are two different things. A foreign student who is a nonresident alien for immigration purposes may be a U.S. resident for tax purposes, depending on how long they have lived in the U.S. Determining residency for tax purposes is confusing for many students.
- Many types of income that are taxed at regular rates for U.S. residents are taxed at higher rates for non-residents. This primarily involves income that is not effectively connected (NEC income)—that is, not effectively connected to their purpose of being in the US. For example, capital gains from investments, income from Uber driving and



income and are taxed at higher rates than regular-wage income.

- Not all non-residents have social security numbers or ITINs, particularly if they don't work or if they just have scholarship income. These folks still need to file a Form 8843 with the IRS. If they have taxable income, they will need to complete a W-7 to apply for an ITIN unless they have work authorization for a social security number.

How Can a Program Get Started?

While traditional VITA sites are a great resource to many of our foreign students, we find it difficult to always ensure enough certified volunteers are available and we nearly always limit foreign students to appointments. Our in-depth facilitated self-assistance (FSA) program model for foreign students was designed to address the inefficiencies in the system and help more students process their returns. Last year, we piloted running a TaxSlayer FSA site alongside traditional VITA services at just one fusion site and have since expanded our TaxSlayer FSA model to other locations.

Our students are generally computer-savvy, ready with all their documents and interested in learning how to prepare their own return using TaxSlayer FSA software. Assisted by a detailed screenshot guide and expert volunteers, they navigate their own returns, asking for help and reassurance whenever they need it. We can



than through the one-on-one traditional VITA method.

An added bonus—many foreign students make great candidates for volunteers! Consider encouraging them to get involved.

What Is Needed to Use TaxSlayer FSA?

Here's what you will need to offer this FSA model to foreign students at a tax site:

- Access to a computer lab or bank of computers
- Secure internet connectivity
- Expert volunteers certified in IRS VITA Volunteer Standards of Conduct (ethics test) and foreign student returns
- TaxSlayer FSA software (available through IRS SPEC) or free tax products of your choice
- Printing supplies, like printers, printer paper and toner
- Typical office supplies like pens, staplers and staples
- Supplies provided by the IRS: TaxSlayer software, envelopes for completed copies of tax returns and required IRS site posters
- Copy of screenshot guide at each computer station
- Copy of Pub 4011, VITA/TCE Foreign Student and Scholar Volunteer Resource Guide
- Copies of Form 843 and Form 8316, Information Regarding Request for Refund of Social Security Tax




What Are the Benefits and Challenges?

There are lots of benefits to providing separate tax services to foreign students:

- It's a way to expand access if a site is operating at capacity or is short on volunteers.
- These sites are efficient and require very little volunteer power to operate at a high level.
- Taxpayers learn how to prepare their own tax returns, creating self-sufficiency and a better understanding of their finances.
- Because taxpayers prepare their own tax returns, they are in a good position to become volunteers and help someone else.
- VITA site production data is tracked using an SIDN, which allows for comparison across sites and has been a great recruitment tool.
- Taxpayers have access to their returns in the future electronically.

But even with all of these benefits, there's are some challenges:

- At FSA fusion sites, it can be difficult to meet and manage expectations of volunteers and clients while providing variations in the level of customer service.



rejected, still needs to be submitted) for the VITA site unless returns are simple and acknowledgements are immediate.

- If a return is rejected, the taxpayer must log back in to make corrections and re-submit the return.

What Are the Best Practices to Overcome Common Challenges?

CREATE A SCREENSHOT GUIDE: Having a screenshot guide helps tremendously in expediting the process and enables taxpayers to do things right rather than hope that they did things right. Also limits questions they may have related to simple data entry.

QUALITY REVIEW: Encouraging students to have their return reviewed by a certified volunteer gives them confidence and reduces the number of rejections as well as the number of returns prepared but never filed.

WAIT FOR ACCEPTANCE: Submitting returns and waiting for acceptance notification while the taxpayer remains at the site generally takes less than 15 minutes and can help avoid the need for taxpayers to revisit the site.

What Resources Are Available?

United Way Bay Area Resources

- <http://earnitkeepitsaveit.org/FSA>: Landing page for Site Coordinators who may be interested in learning



resources from the IRS and our team.

- <http://earnitkeepitsaveit.org/fs>: Landing page for volunteers who are interested in training and certifying for foreign student tax preparation.
- <http://earnitkeepitsaveit.org/Foreign-Student>: This page provides foreign student taxpayers a quick list of local sites that help foreign students and tells them what to bring. It also includes an FAQ.

IRS FSA References

- [Pub. 5324: Fact Sheet on Quality Site Requirements for Alternative Filing Models](#) – Highlights: How to use intake sheet Form 13614-C or Form 13614-NR and an explanation of why the intake/interview process is not required for FSA.
- [Pub. 4396A: Partner Resource Guide](#) – Jump to page 95 for the FSA section.
- [Pub. 4974: FSA Fill-in Poster](#) – For advertising about FSA services at your site.
- [Pub. 4974sp: FSA Fill-in Poster \(Spanish\)](#) – Spanish language advertising about FSA services at your site.
- [Pub. 5047: FSA Brochure](#) – For partners who may be interested in offering FSA.
- [Pub. 5055: Don't Want to Wait? Tabletop Sign](#) – Sign to put near your traditional VITA service area that encourages folks to think of FSA as an option.

IRS Foreign Student Publications



completed at traditional VITA sites by incoming foreign student/scholar taxpayers. While this form is not required at FSA sites, it can help students get their information organized before they start working on their return.

- [IRS Publication 4011, Foreign Student and Scholar Volunteer Resource Guide](#): This is a handy spiral-bound booklet of flowcharts and summary of treaty benefits for different countries.
- [IRS Publication 4152, Electronic Toolkit for Nonresident Alien](#)
- [IRS Publication 4704-FS, Foreign Student/Scholar VITA Certification Test](#): This is a 50-question beast.

Other Resources

- [I-94 Website](#), which forwards the preparer to the [History Search](#) webpage after the taxpayer agrees to use the information according to the Department of Homeland Security's rules. This is where foreign students can access their I-94 records (specific travel dates in and out of the country), which may help them in calculating the number of days they were in the US.

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