

Resident Alien (RA) vs Nonresident Alien (NRA) for Tax Purposes

General Overview

NRA	RA
<p>Exemptions on FICA (Social Security Tax/Medicare) and federal taxes (with treaty)</p> <ul style="list-style-type: none"> · Uses 1040NR or 1040NREZ to file taxes. Must also file Form 8843. · Only U.S. income is taxed · No exemptions for dependents (with exceptions) · May not take standard deduction · May not file a joint return · Not exempt from State Taxes. 	<ul style="list-style-type: none"> · Pays all taxes · Uses 1040 or 1040EZ to file taxes · Worldwide income is taxed · Exemptions allowed for dependents · May take standard deduction · May file a joint return

Nonresident Alien Tax Terminology

Substantial Presence: When nonresident aliens establish substantial presence, they become resident aliens for tax purposes.

Counting days: When nonresident aliens surpass 183 counting days, they establish substantial presence and therefore, become RAs for tax purposes. Certain nonresident aliens are exempt from counting days, but this does not necessarily mean that they are exempt from paying taxes. The counting days for these individuals begin after the exempt years have been counted.

IRS Calendar Year: January 1 to December 31 is considered as one full year, *regardless of the entry date*. For example, if an F1 student entered the U.S. for the first time on December 29, 2009, the student is considered to have been a NRA for the entire 2009 year—even though he/she was actually present in U.S. for only 3 days in 2009.

Students in the F, J, M, or Q status are exempt from counting days for the first 5 calendar years in the U.S. This is a once in a lifetime exemption. Previous years in the derivative status or any nonstudent J or Q status count toward the 5 year exemption from counting days.

Nonstudent J and Q status holders (e.g. teachers, researchers, interns, etc.) are exempt from counting days for the first 2 out of 6 consecutive years. Previous years in the derivative status, or any F, J, M, Q student status within the 6 year cycle, also count toward the exempt years.

Side note: *H1B and B1/B2 status holders start the counting days upon arrival in the U.S.*