

# INTRODUCTION TO TAX FILING

## For International Students

A guide for students on whether to file taxes, how to file taxes, and what all those tax terms mean

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**DISCLAIMER:** This guide is for information purposes only. Please consult a licensed [tax preparer](#) for personalized advice.

For questions or comments, please email Prof. Alisa Tazhitdinova: [tazhitda@ucsb.edu](mailto:tazhitda@ucsb.edu). Check out our website for other tax literacy resources: [pfl.ucsb.edu](http://pfl.ucsb.edu).

# Tax Filing Rules

## If You Have Been in the U.S. for 5 Years or Fewer

Students that are in the U.S. under “F”, “J”, “M”, or “Q” visas are generally classified as **tax nonresidents** if they have been in the U.S. for **less than 5 calendar years**.

### How do I count how many years I have been in the US?

The rule applies to calendar years rather than academic years. Consequently, even if you arrived in the U.S. halfway through the year (e.g., in August or September), that year counts as a whole calendar year.

**Example:** You arrived in the U.S. in September 2021. This is your first extended stay in the U.S. Then you would start your 5-year count from 2021, and you will be treated as a tax nonresident for tax years 2021, 2022, 2023, 2024, and 2025.



If you have lived in the U.S. before this stay, tax residency calculations become more complicated. IRS offers some examples [here](#).

### Do I need to file a tax return?

There is no minimum dollar amount of income that triggers a filing requirement for tax nonresidents. Instead:

**You must file a tax return if you have**

1. A taxable scholarship or grant;
2. Income that is partially or completely exempt from tax under the terms of a tax treaty; and/or

3. Any other income that is taxable under the Internal Revenue Code.

**You are not required to file a tax return if all your income is from:**

1. Foreign sources
2. Interest Income from
  - a. U.S. bank
  - b. U.S. savings and loan institution
  - c. U.S. credit union
  - d. U.S. Insurance Company
3. An investment that generates portfolio interest
4. A scholarship or fellowship that is entirely tax-free
5. Any other income that is nontaxable under the Internal Revenue Code



Unfortunately, even if your income is entirely not taxable because of a tax treaty, you **must still file a U.S. income tax return**, even though no tax will be due on the income reported.

### If you are not required to file a tax return, you must still file Form 8843!



International students that are determined to be a nonresident for tax purposes are required to file [Form 8843](#) even if they are not required to file a U.S. tax return. **All international students must file this form!**

Most international students will only need to fill out Part I and Part III, providing simple

information such as the type of visa they have, what country they are a citizen of, what university they attend, etc. Once completed, mail the form to the following address:

Department of the Treasury,  
Internal Revenue Service Center,  
Austin, TX 73301-0215.

If you forgot to file Form 8843 in the previous years, mail the forms to the above address retroactively.

### How to file your tax return

As a tax nonresident, you should file your taxes using Form 1040-NR, Schedule A-NR, and Form 8843. Official IRS forms and instructions are available [here](#).

You have two options to file your tax return. You can either fill out the forms and mail them to [the address listed in instructions](#), or you can use tax preparer software. To the best of our knowledge, [Springtax](#) and [Glacier](#) are the two options for nonresident returns. Check with the international office to see if they provide free access to such software. But remember: the nonresident tax return forms are pretty simple, so don't be scared of doing it yourself.

### If you must file but you do not file

You will receive a "Failure to File" penalty that is 5% of the unpaid taxes for **each month or part of a month that a tax return is late!** The IRS will then charge you interest on this penalty. Make sure to file!

### Deadlines

You should file your tax return **by or on April 15**. You can request an extension, but it is a

complicated process, and you must prepay your taxes anyway.

You can start preparing your tax return as soon as you receive all your forms (W-2, 1042-S, 1098-T, etc.). You should receive all your forms by mid-February.

If you must file a federal return, you probably must file a California return. California's deadline is also April 15.

### I fear making a mistake!

You are much better off filing and making a small mistake than not filing when you are required to. The instructions are pretty simple and clear, so if you answer truthfully, dramatic mistakes are highly unlikely. If you realize you made a mistake, you have 3 years [to amend your return](#). Furthermore, IRS audit rates are [pretty low](#).

### Additional Resources

#### [Volunteer Income Tax Assistance Program \(VITA\)](#)

Provides free basic tax return preparation for low- and moderate-income taxpayers.

#### [IRS Taxpayer Advocate Service \(TAS\)](#)

The Taxpayer Advocate Service is an organization within the IRS that helps taxpayers and protects taxpayer rights to ensure everyone is treated fairly.

#### **Free Over-the-Phone Interpreter (OPI) Service**

The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers, most IRS offices, and every VITA/TCE tax return site. The OPI Service is accessible in more than 350 languages.

# Tax Filing Rules

## If You Have Been in the U.S. for More than 5 Years

If you continue living in the U.S. for longer than 5 calendar years, then most likely you will have to file as a tax resident. The official determination is based on [the substantial presence test](#), described next.

### The substantial presence test

This test determines if a non-U.S. citizen is either a resident or nonresident for tax purposes. As an international student (on an “F”, “J”, “M”, or “Q” visa), you only need to take this test **once you have been in the U.S. for 5 years or more**.

The rule: you are considered a resident for tax purposes (for the tax year 2025) if you are physically present in the U.S. on at least:

1. 31 days during 2025; AND
2. 183 days during the 3-year period of 2025, 2024, and 2023.

This calculation includes:

- i. All the days you were present in 2025
- ii.  $1/3$  of the days you were present in 2024
- iii.  $1/6$  of the days you were present in 2023

but does not include days for which you were an exempt individual.

If you satisfy the above two requirements, then you are considered a tax resident for the 2025 tax year.

**Example:** A student has been in the U.S. as a non-exempt individual for: 50 days in 2025, 90 days in 2024; and 60 days in 2023.

Then, they would calculate their days physically present as:

2025 (100% of the days) = 50 days

2024 ( $1/3$  of the days) =  $90 \times (1/3) = 30$  days

2023 ( $1/6$  of the days) =  $60 \times (1/6) = 10$  days

$50 + 30 + 10 = 90$  days total during the 3-year period of 2025, 2024, and 2023.

Consequently, this student would not meet the requirements of the substantial presence test (fails condition 2) and would be considered a nonresident for tax purposes.

IRS provides many more examples [here](#).



If you have been in the U.S. for more than 5 years and you passed the substantial presence test, you may qualify for a [closer connection exception](#) if you were physically present in the U.S. for less than 182 days during the tax year. Make sure to review the requirements carefully.



**This guide explains the tax filing rules for tax nonresidents. If you determined that you are a tax resident, please follow the guide for citizens and other tax residents instead, available [here](#).**

# THE ABCs OF TAX FILING:

## (A) INCOME AND DEDUCTIONS

Your tax liability is based on your “taxable income”. Roughly speaking, taxable income is the difference between the income you earn and the various adjustments that are called “deductions”:

$$\text{Taxable Income} = \text{Total Income} - \text{Above-the-Line Deductions} - \text{Deductions}$$

### Calculating Your Total Income

Total income includes the various types of income you earned. The table on the next page summarizes the most common types of income and the tax form you will receive.



**If you received any of the listed tax forms, the IRS also received them! Make sure to accurately report income information on Form 1040-NR, or your return will be flagged!**

The tax forms summarize your earnings, taxes already paid (if any), and (if any) contributions to pension funds, health insurance, etc.

**Quick Side Note:** Throughout this guide, we mention the various Forms and Schedules that report different types of income or deductions. We provide these details for your reference in case you want to fill out the tax return by hand. However, if you use tax filing software, the software will correctly fill out the tax return on your behalf by asking you questions about the various sources of income and expenditures you have had.

### What about Scholarships and other education grants?

As long as the money you receive from the scholarship is (a) used to obtain a degree at an eligible educational institution (e.g. UCSB), (b) only used for qualified education expenses (tuition, etc.), and (c) not used, not clearly designated, and not earmarked for other purposes (e.g. room and board, or as payment for teaching or research), the scholarship or grant is not taxable. In contrast, work-study grants are considered taxable income.

If your only income is a completely tax-free scholarship or fellowship grant, you don't have to file a tax return (only Form 8843), and no reporting is necessary. If all or part of your scholarship or fellowship grant is taxable, then you must report the taxable amount on your tax return.

<https://www.irs.gov/help/ita/do-i-include-my-scholarship-fellowship-or-education-grant-as-income-on-my-tax-return>

Your scholarship income will be reported on Form 1042-S or Form 1098-T.

Form	Income type	Details
W-2	wages	Any formal employment will result in W-2. Report this income on line 1a on Form 1040-NR.
W-2	work-study wages	Work-study programs are considered “taxable scholarships”, so you will receive a W-2 and you must report this income as “wages” (on line 1a of Form 1040-NR).
1042-S	scholarships/ grants	This form reports fellowship/scholarship payments that exceeds the amount of tuition and mandatory fees for international students. Report this income on line 8r of Schedule 1.
1098-T	scholarships/ grants	It is unlikely that you will receive this form. If you do, check the difference between box 5 and box 1. If it is positive and this excess has been distributed to you, you must include it in your taxable income on line 8r of Schedule 1. <b>If box 1 exceeds box 5 and scholarship income is your only income, filing is not required.</b>
1099-K	online payments and marketplaces	If you earn over \$5,000 from selling goods or services through a payment app (like Venmo or PayPal) or an online marketplace, they must send you a Form 1099-K. Sometimes, they may send one even if you made less. It is important to note that if you receive this form, the IRS does too! Where to report this income depends on the nature of this income, review instructions for Schedule 1.
1099-INT	interest income: included in “unearned” income	This form is received by people that made at least \$10 in interest throughout the year, however, most banks will send you the form for even smaller amounts. Legally, you are required to report income no matter the amount. The amount reported on the form is considered taxable income. Report on lines 2a-2b of Form 1040-NR.
1099-DIV	dividend income: included in “unearned” income	You will receive this form if you have received at least \$10 in dividends from a company who is not your employer. Dividends are considered as taxable income. Report on lines 3a-3b of Form 1040-NR.
1099-B	capital gains: included in “unearned income”	You will receive this form if you sold stocks, mutual funds, foreign currency contracts, forwards, futures, options, etc. This form provides investors with summary information about their capital gains/losses. Report this income on line 7 of Form 1040-NR. Typically, Schedule D is also required.



## Adjustments and Deductions

There are a few ways a nonresident taxpayer can reduce his/her tax liability. Each approach has a different name and works slightly differently: **“adjustments”** or **“above-the-line deductions”** directly reduce your total income (these are reported on Schedule 1 then on line 10 of Form 1040-NR), **“deductions”** reduce taxable income (these are reported on Schedule A then on line 12 of Form 1040-NR), while **“tax credits”** reduce tax owed (these are claimed on line 19 of Form 1040-NR). Ultimately, they all reduce the tax you must pay or increase the refund you will receive. This section will discuss above-the-line deductions and itemized deductions. Credits will be discussed in the [following section](#).

### Above-the-Line Deductions (Schedule 1)

These are certain expenses that are directly subtracted from your income. The most common are various medical plan deductions, contributions to retirement funds (**IRA**, SEP, SIMPLE, etc.), alimonies, **student loan interest deductions**, and rarer adjustments. Few students can claim these.

Tax nonresident students can report the interest paid on student loans in their name **if the lender is a qualifying U.S. institution** and the loan satisfies the usual conditions, as an above-the-line deduction. This deduction is limited to \$2,500. Use info from Form 1098-E to figure out your student loan interest deduction.

## Itemized Deductions (Schedule A Form 1040-NR).

In addition to above-the-line deductions, the IRS allows nonresident taxpayers to claim **“Itemized Deductions”**. Use [Schedule A \(Form 1040-NR\)](#) to claim these deductions:

[State and Local Taxes](#) (up to \$10,000 per year)

[Donations to charity](#) (charitable cash and noncash contributions are deductible up to 60% of your adjusted gross income (AGI). Individuals who have made qualified contributions can deduct up to 100% of their AGI, with carryover to the next tax year for any amounts that exceed this.)

[Losses from disasters and theft](#) (involve losses from casualties, thefts, and losses on deposits)

[Rarer itemized deductions](#) (see page 38)



To claim itemized deductions, you need to be able to provide proof of the incurred expenses. Thus, it is important to be organized and keep records (i.e., receipts or notes) of the expenses you would like to deduct.



# THE ABCs OF TAX FILING:

## (B) HOW MUCH TAX DO I OWE?

The “tax owed” in the formula below is a linear function of your taxable income (line 15 of Form 1040-NR), and it is the amount of tax you owe before any tax credits are deducted.

$$\text{Tax Liability} = \text{Tax Owed} - \text{Tax Credits}$$

### How do you calculate tax owed?

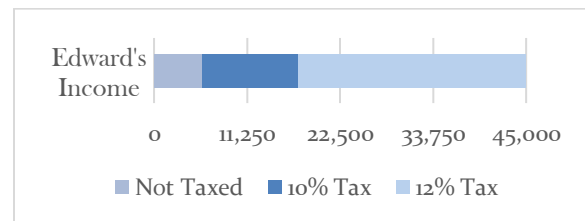
You pay taxes as a percentage of your taxable income in layers called “tax brackets”. As your income increases into a higher bracket, you pay the higher tax rate, but only on the part of income that is in the new bracket. The tax brackets apply to your “taxable income”, i.e., total income minus deductions (recall formula from the previous section).

Tax Rate	Tax Bracket for Single Filers
10%	\$0 to \$11,600
12%	\$11,601 to \$47,150
22%	\$47,151 to \$100,525
24%	\$100,526 to \$191,950
32%	\$191,951 to \$243,725
35%	\$243,726 to \$609,350
37%	\$609,351 or more

The tax filing software will do this math for you; all you must do is provide information on (a) all the incomes you earned and (b) any

deductions you want to claim. Alternatively, use the tax schedule provided in the instructions. In the end, if you already paid more taxes than you owe, the IRS will send you a check. Otherwise, you will have to pay some taxes.

**Example:** Edward is a single taxpayer who earned \$45,000 in 2024. He can claim \$5,850 in itemized deductions. How much tax will he owe?



Edward’s taxable income is \$39,150 (=\$45,000-\$5,850). Using the table, we see that \$11,600 of the \$39,150 will be taxed at 10%, while the remaining \$27,550 (\$39,150-\$11,600) will be taxed at 12%. **His total tax liability is \$4,466** (=\$11,600 x 10% + \$27,550 x 12%).

# THE ABCs OF TAX FILING:

## (C) WHAT ARE TAX CREDITS?

A tax credit is a dollar-for-dollar amount that a taxpayer can deduct from their “tax owed” (recall formula on previous page)! Credits are thus used to offset tax liability. (In contrast, the deductions studied in the previous Un fortunately, nonresident taxpayers generally do not qualify for tax credits available to citizens and tax residents. However, if you have children, you are likely to qualify for the following two credits:

### Child tax credit (CTC)

CTC helps give families with children a tax break. The eligibility rules are simple, and for every child under age 17, you qualify for a \$2,000 credit if your income does not exceed \$200,000 (single) or \$400,000 (married). Children age 17 and older qualify for a reduced credit of \$500 per child. To claim this credit, your child needs to have a social security number.

California also offers a credit for families with children, called California Young Child Tax Credit, so make sure to claim it as well.

sections reduce tax liability. In the end, both tax deductions and tax credits are tax breaks – they reduce the amount of money you must pay to the IRS.)

### The Child and Dependent Care Credit

CDCC is used to help offset the cost of care incurred for eligible children (or other dependents). You may qualify to claim this credit if you have paid expenses for the care of a qualifying individual that allows you to work or actively look for work. A qualifying individual is generally described as a dependent under the age of 13, a spouse, or a dependent of any age who is incapable of self-care and lives with you for more than half of the year. The total expenses used to calculate this credit cannot exceed \$3,000 for one qualifying individual or \$6,000 for two or more qualifying individuals.

California also offers the Child and Dependent Care Credit, so make sure to claim it as well.

## CALIFORNIA TAX RETURNS

If you must file a federal tax return, then you should also file a California tax return. The return structure and principles are the same, except that if you earn income from multiple states, you might have to file several state tax returns. For tax nonresidents, California only taxes income earned while you were in California.

The table shows taxable brackets, which operate in the same way as the federal tax brackets: as your income increases, you pay the higher tax rate, but only on the part of your income that is in the new bracket.

Tax Rate	Tax Bracket for Single Filers
1%	\$0 to \$10,756
2%	\$10,757 to \$25,499

4%	\$25,500 to \$40,245
6%	\$40,246 to \$55,866
8%	\$55,867 to \$70,606
9.3%	\$70,607 to \$360,659
10.3%	\$360,660 to \$432,787
11.3%	\$432,788 to \$721,314
12.3%	Over \$721,315



As a non-resident alien, you should file a California Nonresident tax return (Form 540NR). Note that the software often provided by the university ([Glacier](#)) can only be used to file a federal tax return. Fortunately, the state provides its own [free filing software](#).

## GLOSSARY

**ABOVE-THE-LINE DEDUCTIONS:** These deductions reduce your TOTAL INCOME and are reported on SCHEDULE 1.

**AGI:** “Adjusted gross income” is calculated as the difference between your TOTAL INCOME and ABOVE-

**ITEMIZED DEDUCTIONS:** Itemized deductions reduce TAXABLE INCOME. Use SCHEDULE A to claim.

**FICA TAXES:** Federal Insurance Contributions tax. These taxes pay for Federal Old Age, Survivor, and Disability Insurance (OASDI) benefits. International students on F-1, J-1 and M-1 visas are typically exempt until they become tax residents.

**FORM 1040-NR:** Main tax return form. You can either fill it yourself or use a filing software.

**FORM W-2:** Will be sent to you (and the IRS) by your employer. Reports wages earned, tax withheld, and other information related to health insurance and pension contributions. Must be included in TOTAL INCOME. Reported on line 1a of FORM 1040-NR.

**FORM 1099-B:** Will be sent to you (and the IRS) by your bank/broker. Reports capital gains income earned. Must be included in TOTAL INCOME. Reported on line 7 of FORM 1040-NR. Typically, SCHEDULE D is also required.

**FORM 1099-DIV:** Will be sent to you (and the IRS) by your bank/broker. Reports dividend income earned. Must be included in TOTAL INCOME. Reported on lines 3a-3b of FORM 1040-NR.

**FORM 1099-INT:** Will be sent to you (and the IRS) by your bank/broker. Reports interest income earned in checking/savings/money market accounts. Must be included in TOTAL INCOME. Reported on lines 2a-2b of FORM 1040-NR.

**FORM 1099-K, 1099-MISC, 1099-NEC:** Will be sent to you (and the IRS) by your gig platform. Reports income earned. Must be included in TOTAL INCOME. Reported on line 3 of SCHEDULE 1, or line 8 of Schedule 1. Typically, SCHEDULE C is also required.

**MEDICARE TAXES:** These taxes pay for the federal health insurance program for the aged that helps alleviate the high cost of medical care for those over age 65. Similar to the FICA taxes, international students on F-1, J-1 and M-1 visas are typically exempt until they become tax residents.

**STUDENT LOAN INTEREST DEDUCTION:** An ABOVE-THE-LINE DEDUCTION for interest payments related to qualified student loans borrowed from U.S. financial institution. Can be claimed on SCHEDULE 1.

**TAXABLE INCOME:** Determines one's tax liability. Taxable income is calculated as individuals' total income minus ABOVE-THE-LINE DEDUCTIONS minus STANDARD DEDUCTION or ITEMIZED DEDUCTIONS. Reported on line 15 of FORM 1040-NR.

**TAX CREDITS:** Offset one's tax liability. May be refundable or non-refundable. The only tax credits non-residents qualify for are Child Tax Credit and Child and Dependent Care Credit.

**TOTAL INCOME:** Calculated as the sum of all incomes you earn, including wages, work-study income, taxable portions of scholarships/grants, etc. Reported on line 9 of FORM 1040-NR.

**SCHEDULE 1:** Used to report less-common sources of income (e.g. gig work, scholarships) and ABOVE-THE-LINE DEDUCTIONS.

**SCHEDULE A:** Used to report ITEMIZED DEDUCTIONS.

**SCHEDULE D:** Used to report capital gains income.