

Orientation > #17-158 US Income Tax 1

Page 1 of 8

#17-158 US Income Tax 1

The US government receives the majority of their budget revenue by levying income tax which is collected by the federal government via the IRS, and some states/cities, depending on the local rules and resident status.

Introduction

US Income Tax 1

The US government receives the majority of their budget revenue by levying income tax which is collected by the federal government via the IRS, and some states/cities, depending on the local rules and resident status.

- Part 1 Income tax withheld
- Part 2 Income tax systems
- Part 3 Earned vs unearned
- Part 4 Tax residency status
- Part 5 Contributions
- Part 6 Tax withholding
- Part 7 I wanna ask...

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



FUSIA's J-1 Visa Program  **BridgeUSA**
The Cross Cultural Internship Program (CCIP)

FUSIA Communications • since 2002

BridgeUSA (J-1 Visa Program) sponsor

M/WBE certified with NYC/NYS

DBE certified with MTA

www.fusia.net

Orientation > #17-158 US Income Tax 1

Page 2 of 8

Part 1 Income tax withheld

US Income Tax 1

In the United States, there are typically three types of income tax withheld from employees' salaries and sent to the government by the employer (host) on their employees' behalf. Money may also be deducted, or subtracted, from a paycheck to pay for retirement or health benefits.

1 Federal. Levied by the IRS to everyone whose income exceeds certain thresholds

2 State. Some states levy income tax; some don't (e.g., 0% in Texas, 13%+ in California)

3 City. Same rules, depends on the local rules

4 FICA. J-1 interns/trainees are generally considered Nonresident Aliens (NRA) and are exempt from **FICA**

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



Orientation > #17-158 US Income Tax 1

Page 3 of 8

Part 2 Income tax systems

US Income Tax 1

The United States has a progressive tax system on the federal level and most states. With a progressive tax system, a larger percentage of income is levied from high-income groups. Some states and cities charge a flat rate on income earned; some levy no income tax.

1 Flat rate. Illinois, Colorado, Indiana, Kentucky, Massachusetts, Michigan, New Hampshire, North Carolina, Pennsylvania, Pennsylvania, Utah

2 Tax free. Alaska, Florida, Nevada, New Hampshire, S Dakota, Tennessee, Texas, Washington, Wyoming

3 Progressive. Applicable to most states

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



Orientation > #17-158 US Income Tax 1

Page 4 of 8

Part 3 Earned vs unearned

US Income Tax 1

US taxable income can be categorized as unearned and earned. In addition to salary and wages, US sourced stipends, subsidies, scholarships, and bonuses are also considered taxable income.

Unearned income

Interest, dividends, profit from selling of goods/services or business activities, rental income, royalties, gambling winnings, gifts, and inheritances

Earned income

Salary/wages, tips, commissions, bonuses, unemployment benefits, sick pay, and some noncash fringe benefits.

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



FUSIA's J-1 Visa Program  **BridgeUSA**
The Cross Cultural Internship Program (CCIP)

FUSIA Communications • since 2002

BridgeUSA (J-1 Visa Program) sponsor

M/WBE certified with NYC/NYS

DBE certified with MTA

www.fusia.net



Orientation > #17-158 US Income Tax 1

Page 5 of 8

Part 4 Tax residency status

US Income Tax 1

In the United States, exchange visitors are considered “aliens” of the US for tax purposes. “Aliens” refers to temporary visitors. There are two types of aliens.

Nonresident Aliens (NRA)

- NRAs enjoy special tax rules
- Teachers, trainees, or interns under a J or Q visa/status

Resident Aliens (RA)

- Taxed in the same manner as US citizens on their worldwide income
- Exchange visitors are considered a RA if they meet the Substantial Presence Test

Substantial Presence Test

- With at least 31 days in the tax year (e.g., 120 days)
- Plus 1/3 of the days spent last year (e.g., 1/3 of 180 days = 60 days)
- Plus 1/6 of the days spent 2 years ago (e.g., 1/6 of 30 days = 5 days)
- PASSED if the total is 183+ days (e.g., 185 days > 183 days, RA)

NOTE: Generally, individuals under a F, J, M or Q visa/status, including J-1 interns/trainees, are exempt from the Substantial Presence Test unless they are looking or have changed their status.

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



FUSIA's J-1 Visa Program  BridgeUSA
The Cross Cultural Internship Program (CCIP)

FUSIA Communications • since 2002

BridgeUSA (J-1 Visa Program) sponsor

M/WBE certified with NYC/NYS

DBE certified with MTA

www.fusia.net

Orientation > #17-158 US Income Tax 1

Page 6 of 8

Part 5 Retirement contributions

US Income Tax 1

Generally, taxpayers pay taxes levied by the governments plus additional retirement contributions. Since exchange visitors are non-permanent employees, they are generally exempt from such contributions.

- Examples of retirement contributions, e.g., FICA, 401K, IRA, etc.
- **FICA** refer to Social Security and Medicare taxes
- Exchange visitors categorized as NRAs are generally exempt from paying FICA

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



FUSIA's J-1 Visa Program  **BridgeUSA**
The Cross Cultural Internship Program (CCIP)

FUSIA Communications • since 2002

BridgeUSA (J-1 Visa Program) sponsor

M/WBE certified with NYC/NYS

DBE certified with MTA

www.fusia.net



Orientation > #17-158 US Income Tax 1

Page 7 of 8

Part 6 Tax withholding

US Income Tax 1

The amount received on paychecks are generally less than the actual amount earned. This is because the US employers are required to withhold a portion of the income paid to their employees. So, when the tax is due, taxpayers pay the total of tax due minus any withheld portion.

- The IRS will refund taxpayers if there was too much tax money withheld
- If there was an underpayment, the taxpayer must pay the difference

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.



FUSIA's J-1 Visa Program  **BridgeUSA**
The Cross Cultural Internship Program (CCIP)

FUSIA Communications • since 2002

BridgeUSA (J-1 Visa Program) sponsor

M/WBE certified with NYC/NYS

DBE certified with MTA

www.fusia.net



Orientation > #17-158 US Income Tax 1

Page 8 of 8

Part 7 I wanna ask...

What is FICA (Federal Insurance Contributions Act)? Are exchange visitors exempt from FICA taxes?

FICA is a US federal payroll tax. 6.2% of an American's gross wages goes to Social Security tax and 1.45% goes to Medicare tax (the employer matches these percentages for a total of 15.3%). Yes, the IRS grants an exemption from FICA taxes to exchange visitors as long as they are deemed as nonresident aliens in J-1 status. Click [HERE](#).

If I have already paid US taxes, do I still pay taxes to my home country (and vice versa)?

Generally, wages earned by exchange visitors while in the United States are subject to US taxation. If the exchange visitor's home country has a tax treaty with the United States, the exchange visitor may not need to pay taxes in both countries. Exchange visitors from a country that have no tax treaty agreement with the US may be subject to double taxation.

If I need to pay FICA taxes in the US, do I also have to pay social security taxes in my home country?

If you need to pay FICA taxes in the United States, you may not need to pay social security taxes for your home country: (a) If your country has a **International Social Security Agreement (Totalization Agreement)** with the United States, you generally only pay social security taxes for the country where you are employed (in this program, that would be the US). Check your country's specific agreement for exact details and how to claim US social security benefits in your home country. (b) If your country does not have a Totalization Agreement with the US, you need to pay social security taxes for both the US and your home country.

If my home country has a tax treaty with the US, does it mean that I don't have to pay US taxes?

No, the idea of a tax treaty is to avoid double taxation: the exchange visitor either pays taxes to his/her own country or to the US government. Even if the exchange visitor isn't obligated to pay US taxes, s/he is still required to follow state/local tax requirements and complete any state/city tax forms.

Can exchange visitors claim standard deduction?

Generally no as most exchange visitors are considered nonresidents for tax purposes, and nonresident aliens cannot claim the standard deduction. However, if the exchange visitor is considered as resident alien, s/he will then be taxed as residents. Also, exchange visitors from certain tax treaty countries may also be eligible to claim the standard deduction, e.g., Indian exchange visitors under Article 21 of the USA-India Income Tax Treaty.

For assistance, contact us at +1 718 643 0311 ext. 11 (office) or +1 917 244 2600 (WhatsApp chat).

FUSIA is a designated sponsor in the J-1 intern category.

