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STAKEHOLDER LIAISON

Preparation of Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*

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Preparation of Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*

Tuesday, September 26, 2023



**Communications & Liaison
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Presenters



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Network



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Network



Agenda

- ❖ **Identify where to report various types of income and expenses on a Form 1040-NR**

- ❖ **Identify the common types and tax treatment of effectively connected income (ECI) and non-effectively connected income (non-ECI)**



Acronyms	Definition
ECI	Effectively Connected Income
FDAP	Fixed Determinable Annual Periodical
FIRPTA	Foreign Investment in Real Property Act
IRC	Internal Revenue Code
NEC	Non-Effectively Connected
NRA	Nonresident Alien
SPT	Substantial Presence Test
TCJA	Tax Cuts and Jobs Act
USTB	U.S. Trade or Business



Overview

- ❖ Nonresident alien individuals (NRAs) are generally taxed only on U.S. source FDAP income and, if they are engaged in a U.S. trade or business (USTB), on income that is effectively connected with that USTB.
- ❖ Note that unless altered by treaty, NRAs engaged in a USTB are generally subject to tax on all ECI, even if not effectively connected to that specific USTB through the force-of-attraction rule.
- ❖ The general source rules for income items can be found in IRC §§ 861 through 865.



Overview - continued (cont.)

- ❖ There are generally two categories of income for NRAs that are subject to U.S. tax:
 - Fixed or determinable annual or periodical (FDAP) income – IRC § 871(a), taxed on a gross basis (gross income without deductions) at a rate of 30%.
 - Effectively connected income (ECI) – IRC § 871(b), taxed on a net-basis (similar to U.S. residents, but U.S. residents are generally subject to U.S. tax on worldwide income).



Overview – cont. 2

- ❖ In determining whether U.S. source FDAP income or U.S. source capital gains are ECI, the principal tests to be applied pursuant to Treas. Reg. § 1.864-4(c)(1) are the:
 - **Asset Use Test** – Whether the income is derived from assets used in or held for use in the conduct of a USTB. Treas. Reg. § 1.864-4(c)(2).
 - **Business Activities Test** – Whether the activities of the USTB were a material factor in the realization of the income, gain, or loss. Treas. Reg. § 1.864-4(c)(3).



Who is Required to File Form 1040-NR

- ❖ NRAs engaged in a USTB even if that USTB produces no income, produces no U.S. source income, or only produces income that is exempt from U.S. tax under an applicable treaty or any section of the Code.
- ❖ NRAs not engaged in a trade or business in the U.S., but with U.S. source income, the tax on which is not satisfied by withholding.
- ❖ A representative or agent responsible for filing the return of an NRA described above.



Who is Required to File Form 1040-NR – cont.

- ❖ A fiduciary of an estate or trust of an NRA described above


- ❖ NRAs who wish to claim the benefit of any deductions, including for the purpose of making a claim for refund.



Form 1040-NR Due Date

- ❖ A timely filed return for an NRA is due on June 15th following the close of the calendar year. See IRC § 6072(c).
 - If an NRA receives wages subject to chapter 24 withholding, the return is due on April 15th following the close of the calendar year. See Treas. Reg. § 1.6072-1(c).

- ❖ NRAs may secure a 6-month automatic extension by filing Form 4868 by the regular due date of return.




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Polling Question #1

If an NRA is engaged in a U.S. trade or business, their FDAP income:

- Is always considered ECI
- May be considered ECI
- Is always taxed at a flat 30% rate
- Is always considered U.S. source



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Form 1040-NR – Filing Status and Dependents

Form **1040-NR** Department of the Treasury—Internal Revenue Service **2022** U.S. Nonresident Alien Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2022, or other tax year beginning _____, 2022, ending _____, 20____ See separate instructions.

Filing Status
Check only one box.

Single Married filing separately (MFS) Qualifying surviving spouse (QSS) Estate Trust

If you checked the QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____

Your first name and middle initial _____ Last name _____ Your identifying number (see instructions) _____

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____

City, town, or post office. If you have a foreign address, also complete spaces below. _____ State _____ ZIP code _____

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) **Yes** **No**

Dependents (see instructions):

(1) First name	Last name	(2) Dependent's identifying number	(3) Relationship to you	(4) Check the box if qualifies for (see inst.): Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

If more than four dependents, see instructions and check here



Filing Status and Dependents

- ❖ 5 filing statuses
 - Single
 - Married filing separately
 - Qualifying surviving spouse
 - Estate, and
 - Trust
- ❖ Dependents
 - Dependent information is needed to claim tax credits available to certain nonresident aliens (NRAs).



Form 1040-NR, Page 1 – Effectively Connected Income (1 of 7) ¹

Income Effectively Connected With U.S. Trade or Business	1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	
	b	Household employee wages not reported on Form(s) W-2		1b	
	c	Tip income not reported on line 1a (see instructions)		1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
	e	Taxable dependent care benefits from Form 2441, line 26		1e	
	f	Employer-provided adoption benefits from Form 8639, line 29		1f	
	g	Wages from Form 8919, line 6		1g	
	h	Other earned income (see instructions)		1h	
	i	Reserved for future use	1i		
	j	Reserved for future use		1j	
	k	Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)	1k		
	z	Add lines 1a through 1h		1z	
	2a	Tax-exempt interest	2a	b Taxable interest	2b
	3a	Qualified dividends	3a	b Ordinary dividends	3b
	4a	IRA distributions	4a	b Taxable amount	4b
5a	Pensions and annuities	5a	b Taxable amount	5b	
6	Reserved for future use		6		
7	Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here <input type="checkbox"/>		7		
8	Other income from Schedule 1 (Form 1040), line 10		8		
9	Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income		9		
10	Adjustments to income:				
a	From Schedule 1 (Form 1040), line 26	10a			
b	Reserved for future use	10b			
c	Reserved for future use	10c			
d	Enter the amount from line 10a. These are your total adjustments to income		10d		
11	Subtract line 10d from line 9. This is your adjusted gross income		11		
12	Itemized deductions (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)		12		
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a			
b	Exemptions for estates and trusts only (see instructions)	13b			
c	Add lines 13a and 13b		13c		
14	Add lines 12 and 13c		14		
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income		15		



Form 1040-NR, Page 1 – Effectively Connected Income (2 of 7)

- ❖ Line 1a – Total amount from Form(s) W-2, Box 1
 - Does not include amounts exempted under a tax treaty. These amounts should be included on Line 1k and reflected on Item L of Schedule OI (Form 1040-NR).
- ❖ Line 1k – Total income exempt by a treaty
 - Includes both exempt ECI and exempt non-ECI
 - Should not be included in the total ECI amounts
 - Item L of Schedule OI must be completed to report income that is exempt from U.S. tax by an income tax treaty.



Form 1040-NR, Page 1 – Effectively Connected Income (3 of 7)

- ❖ Generally, wages paid to an NRA which are exempt under an income tax treaty are reported by the payor on Form 1042-S, using Exemption Code 04. Any additional U.S. sourced wages paid which are over the exempt amount are reported on Form W-2.
- ❖ To receive Form 1042-S, taxpayers must file Form 8233, which explains their exemption status to their employer.
 - Applies in cases of wage withholding.
 - Failure to provide Form 8233 does not prevent NRA from claiming the exemption of wages on Form 1040-NR.
 - Form 8233 is not a prerequisite to the Form 1042-S in other situations.



Form 1040-NR, Page 1 – Effectively Connected Income (4 of 7)

- ❖ Example 1- From the 1040-NR instructions
 - Jean, a F-1 student from France, earned \$8,000 from an internship. Under Article 21 of U.S.-France Income Tax treaty, Jean can exempt up to \$5,000 personal service income from U.S. tax.
 - Jean submitted a valid Form 8233 to her employer to claim exemption from withholding under the treaty article.
 - Jean received a Form 1042-S showing \$5,000 of exempt wages, and a Form W-2 showing \$3,000 of wages in Box 1.
 - Jean should report \$3,000 on Line 1a, include \$5,000 on Line 1k and complete Item L on Schedule OI.



Form 1040-NR, Page 1 – Effectively Connected Income (5 of 7)

- ❖ Example 2
 - The facts are the same as prior example except that Jean was not aware of her eligibility for the \$5,000 treaty benefit when she began her internship and did not submit Form 8233 to her employer.
 - Consequently, the employer withheld on all of Jean's internship wages and reported them on Box 1 of her Form W-2.
 - On Form 1040-NR, Jean should still report \$3,000 on Line 1a, and include \$5,000 on Line 1k and complete Item L on Schedule OI.
 - Jean should also attach a statement to her Form 1040-NR containing all information that would have otherwise been required on a Form 8233 to justify the exemption claimed.



Form 1040-NR, Page 1 – Effectively Connected Income (6 of 7)

- ❖ Lines 2b and 3b – Taxable Interest and Dividends.
 - Taxable amounts that are ECI are reported on these lines.
 - Must pass either Asset Use or Business Activities test

- ❖ Line 7 – Capital gain or (loss).
 - Capital gains/losses that are effectively connected with a U.S. trade or business (USTB) are reported on and carried from Schedule D and Form 8949.
 - Must pass either Asset Use or Business Activities test.



Form 1040-NR, Page 1 – Effectively Connected Income (7 of 7)

- ❖ Lines 4a and 4b – IRA distributions
 - Total distributions and taxable amounts from IRAs are reported on Form 1099-R.

- ❖ Lines 5a and 5b – Pensions and annuities
 - Distributions from pensions and annuities are reported either on Form 1042-S or 1099-R.
 - Distributions that are ECI are included on this line.
 - Distributions that are non-ECI is subject to 30% withholding and included on Schedule NEC.
 - Allocation may be necessary for reported amounts that include employer contributions, earnings, and/or foreign sourced distributions.



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Polling Question #2

Which of the following statuses are available to NRAs for 2022?

- a. Single resident of Canada or Mexico, Single, and Married filing jointly
- b. Single, Married filing separately, Qualifying surviving spouse, Estate, and Trust
- c. Single, Married filing jointly, Qualifying surviving spouse, Estate, and Trust
- d. Single, Married filing separately, and qualifying surviving spouse



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**Schedule 1 (Form 1040) – Part I: Additional
Income (1 of 4)**

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074 2022 Attachment Sequence No. 01	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		Your social security number	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR					
Part I Additional Income					
1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	()		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	()		
e	Income from Form 8853	8e			
f	Income from Form 8859	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			
i	Prizes and awards	8i			
j	Activity not engaged in for profit income	8j			
k	Stock options	8k			
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l			
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m			
n	Section 951(a) inclusion (see instructions)	8n			
o	Section 951A(a) inclusion (see instructions)	8o			
p	Section 461(l) excess business loss adjustment	8p			
q	Taxable distributions from an ABL account (see instructions)	8q			
r	Scholarship and fellowship grants not reported on Form W-2	8r			
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	()		
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t			
u	Wages earned while incarcerated	8u			
z	Other income. List type and amount:	8z			
9	Total other income. Add lines 8a through 8z			9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8			10	



**Schedule 1 (Form 1040) – Part I: Additional
Income (2 of 4)**

- ❖ Line 3 – Business income or (loss)
 - Effectively connected income and expenses from a sole proprietorship are reported on and carried from Schedule C.

- ❖ Line 4 – Other gains or (losses)
 - Gains/Losses from the sale of assets used in a USTB are reported on and carried from Form 4797.



**Schedule 1 (Form 1040) – Part I: Additional
Income (3 of 4)**

- ❖ Line 5 – Rental real estate, partnerships, trusts, etc.
 - Amounts are reported on and carried from Schedule E (Form 1040).
 - Include rental income that is considered ECI or if the election to treat rental income as ECI is made.
 - Note that gains and losses from the sale of U.S. real property interests by foreign taxpayers are generally considered effectively connected with a USTB and are therefore reported on Schedule D and/or Form 4797.
 - Amounts from a Schedule K-1 should be reviewed to determine if such amounts are considered ECI or non-ECI.
- ❖ Line 8 – Other income
 - Includes any other ECI that is not reported elsewhere on the return or other schedules.




**Schedule 1 (Form 1040) – Part I: Additional
Income (4 of 4)**


- ❖ Line 8r – Scholarship and fellowship grants.
 - Taxable amounts are reported by payor on Form 1042-S, Box 2, Income Code 16.
 - Does not include amounts exempted under a tax treaty. These amounts should be included on Line 1k of Form 1040-NR and reflected on Item L of Schedule OI (Form 1040-NR).
 - Payors report amounts exempt under an income tax treaty on Form 1042-S using Exemption Code 04.
 - Form W-8BEN is used by a foreign person to establish both foreign status and beneficial ownership, and to claim income tax treaty benefits with respect to income other than compensation for personal services.




**Form 1040-NR, Page 1 – Effectively Connected
Income**

Income Effectively Connected With U.S. Trade or Business Attach Form(s) W-2, 1042-S, SSA-1042-S, RRB-1042-S, and 8288-A here. Also attach Form(s) 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a		
	b	Household employee wages not reported on Form(s) W-2		1b		
	c	Tip income not reported on line 1a (see instructions)		1c		
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d		
	e	Taxable dependent care benefits from Form 2441, line 26		1e		
	f	Employer-provided adoption benefits from Form 8839, line 29		1f		
	g	Wages from Form 8919, line 6		1g		
	h	Other earned income (see instructions)		1h		
	i	Reserved for future use	1i		1j	
	j	Reserved for future use				
	k	Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)	1k			
	z	Add lines 1a through 1h			1z	
	2a	Tax-exempt interest	2a		2b	
	3a	Qualified dividends	3a		3b	
	4a	IRA distributions	4a		4b	
5a	Pensions and annuities	5a		5b		
6	Reserved for future use			6		
7	Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here <input type="checkbox"/>			7		
8	Other income from Schedule 1 (Form 1040), line 10			8		
9	Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income			9		
10	Adjustments to income:					
a	From Schedule 1 (Form 1040), line 26		10a			
b	Reserved for future use		10b			
c	Reserved for future use		10c			
d	Enter the amount from line 10a. These are your total adjustments to income			10d		
11	Subtract line 10d from line 9. This is your adjusted gross income			11		
12	Itemized deductions (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)			12		
13a	Qualified business income deduction from Form 8995 or Form 8995-A		13a			
b	Exemptions for estates and trusts only (see instructions)		13b			
c	Add lines 13a and 13b			13c		
14	Add lines 12 and 13c			14		
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income			15		

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Schedule 1 (Form 1040) - Part II: Adjustments to Income		
Schedule 1 (Form 1040) 2022		Page 2
Part II Adjustments to Income		
11	Educator expenses	11
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12
13	Health savings account deduction. Attach Form 8889	13
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14
15	Deductible part of self-employment tax. Attach Schedule SE	15
16	Self-employed SEP, SIMPLE, and qualified plans	16
17	Self-employed health insurance deduction	17
18	Penalty on early withdrawal of savings	18
19a	Alimony paid	19a
b	Recipient's SSN	
c	Date of original divorce or separation agreement (see instructions):	
20	IRA deduction	20
21	Student loan interest deduction	21
22	Reserved for future use	22
23	Archer MSA deduction	23
24	Other adjustments:	
a	Jury duty pay (see instructions)	24a
b	Deductible expenses related to income reported on line 8i from the rental of personal property engaged in for profit	24b
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c
d	Reforestation amortization and expenses	24d
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e
f	Contributions to section 501(c)(18)(D) pension plans	24f
g	Contributions by certain chaplains to section 403(b) plans	24g
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i
j	Housing deduction from Form 2555	24j
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k
z	Other adjustments. List type and amount:	24z
25	Total other adjustments. Add lines 24a through 24z	25
26	Add lines 11 through 23 and 25. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26

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Form 1040-NR, Page 1 – Effectively Connected Income		
Income		
1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a
b	Household employee wages not reported on Form(s) W-2	1b
c	Tip income not reported on line 1a (see instructions)	1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
e	Taxable dependent care benefits from Form 2441, line 26	1e
f	Employer-provided adoption benefits from Form 8839, line 29	1f
g	Wages from Form 8919, line 6	1g
h	Other earned income (see instructions)	1h
i	Reserved for future use	1i
j	Reserved for future use	1j
k	Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)	1k
z	Add lines 1a through 1h	1z
2a	Tax-exempt interest	2a
3a	Qualified dividends	3a
4a	IRA distributions	4a
5a	Pensions and annuities	5a
6	Reserved for future use	6
7	Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here	7
8	Other income from Schedule 1 (Form 1040), line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income	9
10	Adjustments to income:	
a	From Schedule 1 (Form 1040), line 26	10a
b	Reserved for future use	10b
c	Reserved for future use	10c
d	Enter the amount from line 10a. These are your total adjustments to income	10d
11	Subtract line 10d from line 9. This is your adjusted gross income	11
12	Itemized deductions (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)	12
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a
b	Exemptions for estates and trusts only (see instructions)	13b
c	Add lines 13a and 13b	13c
14	Add lines 12 and 13c	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15



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Schedule A (Form 1040-NR)

SCHEDULE A
(Form 1040-NR)

Department of the Treasury
Internal Revenue Service

Name shown on Form 1040-NR

Itemized Deductions

Go to www.irs.gov/Form1040NR for instructions and the latest information.
Attach to Form 1040-NR.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see instructions for line 7.


OMB No. 1545-0074

2022

Attachment
Sequence No. **7A**

		Your identifying number	
Taxes You Paid	1a State and local income taxes		1a
	b Enter the smaller of line 1a or \$10,000 (\$5,000 if married filing separately)		1b
Gifts to U.S. Charities	2 Gifts by cash or check. If you made any gift of \$250 or more, see instructions		
	3 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500		
	4 Carryover from prior year		
	5 Add lines 2 through 4		5
	6 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions		6
Other Itemized Deductions	7 Other—from list in instructions. List type and amount:		
			7
Total Itemized Deductions	8 Add the amounts in the far right column for lines 1b through 7. Also, enter this amount on Form 1040-NR, line 12		8

For Paperwork Reduction Act Notice, see the Instructions for Form 1040-NR. Cat. No. 72749E Schedule A (Form 1040-NR) 2022



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Form 1040-NR, Page 1 – Effectively Connected Income ₃

Income Effectively Connected With U.S. Trade or Business

Attach Form(s) W-2, 1042-S, SSA-1042-S, RRB-1042-S, and 8288-A here. Also attach Form(s) 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

1a Total amount from Form(s) W-2, box 1 (see instructions)

b Household employee wages not reported on Form(s) W-2

c Tip income not reported on line 1a (see instructions)

d Medical waiver payments not reported on Form(s) W-2 (see instructions)

e Taxable dependent care benefits from Form 2441, line 26

f Employer-provided adoption benefits from Form 8839, line 29

g Wages from Form 8919, line 6

h Other earned income (see instructions)

i Reserved for future use

j Reserved for future use

k Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)

z Add lines 1a through 1h

2a Tax-exempt interest

3a Qualified dividends

4a IRA distributions

5a Pensions and annuities

6 Reserved for future use

7 Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here

8 Other income from Schedule 1 (Form 1040), line 10

9 Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your **total effectively connected income**

10 Adjustments to income:

a From Schedule 1 (Form 1040), line 26

b Reserved for future use

c Reserved for future use

d Enter the amount from line 10a. These are your **total adjustments to income**

11 Subtract line 10d from line 9. This is your **adjusted gross income**

12 **Itemized deductions** (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)

13a Qualified business income deduction from Form 8995 or Form 8995-A

b Exemptions for estates and trusts only (see instructions)

c Add lines 13a and 13b

14 Add lines 12 and 13c

15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1z

2a

2b

3a

3b

4a

4b

5a

5b

6

7

8

9

10a

10b

10c

10d

11

12

13a

13b

13c

14

15



Polling Question #3

An NRA claiming a treaty exemption for wages should report amounts on _____.

- a. Form 1040-NR, Line 1k- Total income exempt by a treaty
- b. Schedule OI (Form 1040-NR), Item L
- c. a and b
- d. A statement attached to the Form 1040-NR



Form 1040-NR, Page 2 – Tax, Credits and Payments

Form 1040-NR (2022)		Page 2	
Tax and Credits	16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>		16
	17 Amount from Schedule 2 (Form 1040), line 3		17
	18 Add lines 16 and 17		18
	19 Child tax credit or credit for other dependents from Schedule 8812 (Form 1040)		19
	20 Amount from Schedule 3 (Form 1040), line 8		20
	21 Add lines 19 and 20		21
	22 Subtract line 21 from line 18. If zero or less, enter -0-		22
	23a Tax on income not effectively connected with a U.S. trade or business from Schedule NEC (Form 1040-NR), line 15		
	b Other taxes, including self-employment tax, from Schedule 2 (Form 1040), line 21	23b	
	c Transportation tax (see instructions)	23c	
	d Add lines 23a through 23c		23d
	24 Add lines 22 and 23d. This is your total tax		24
Payments	25 Federal income tax withheld from:		
	a Form(s) W-2	25a	
	b Form(s) 1099	25b	
	c Other forms (see instructions)	25c	
	d Add lines 25a through 25c		25d
	e Form(s) 8805		25e
	f Form(s) 8288-A		25f
	g Form(s) 1042-S		25g
	26 2022 estimated tax payments and amount applied from 2021 return		26
	27 Reserved for future use	27	
	28 Additional child tax credit from Schedule 8812 (Form 1040)	28	
	29 Credit for amount paid with Form 1040-C	29	
	30 Reserved for future use	30	
	31 Amount from Schedule 3 (Form 1040), line 15	31	
	32 Add lines 28, 29, and 31. These are your total other payments and refundable credits		32
	33 Add lines 25d, 25e, 25f, 25g, 26, and 32. These are your total payments		33

**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule 2 (Form 1040) – Additional Taxes (1 of 2)

SCHEDULE 2
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Taxes

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2022

Attachment
Sequence No. 02

Name(s) shown on Form 1040, 1040-SR, or 1040-NR Your social security number

Part I Tax			
1	Alternative minimum tax. Attach Form 6251		
2	Excess advance premium tax credit repayment. Attach Form 8962		
3	Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17		
Part II Other Taxes			
4	Self-employment tax. Attach Schedule SE		
5	Social security and Medicare tax on unreported tip income. Attach Form 4137		
6	Uncollected social security and Medicare tax on wages. Attach Form 8919		
7	Total additional social security and Medicare tax. Add lines 5 and 6		
8	Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required. If not required, check here <input type="checkbox"/>		
9	Household employment taxes. Attach Schedule H		
10	Repayment of first-time homebuyer credit. Attach Form 5405 if required		
11	Additional Medicare Tax. Attach Form 8959		
12	Net investment income tax. Attach Form 8960		
13	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12		
14	Interest on tax due on installment income from the sale of certain residential lots and timeshares		
15	Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000		
16	Recapture of low-income housing credit. Attach Form 8611		

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71478U Schedule 2 (Form 1040) 2022

**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule 2 (Form 1040) – Additional Taxes (2 of 2)

Schedule 2 (Form 1040) 2022

Page 2

Part II Other Taxes (continued)

17	Other additional taxes:		
a	Recapture of other credits. List type, form number, and amount:		
b	Recapture of federal mortgage subsidy, if you sold your home see instructions	17a	
c	Additional tax on HSA distributions. Attach Form 8889	17b	
d	Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17c	
e	Additional tax on Archer MSA distributions. Attach Form 8853	17d	
f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8853	17e	
g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17f	
h	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g	
i	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h	
j	Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i	
k	Section 72(m)(5) excess benefits tax	17j	
l	Golden parachute payments	17k	
m	Tax on accumulation distribution of trusts	17l	
n	Excise tax on insider stock compensation from an expatriated corporation	17m	
o	Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n	
p	Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o	
q	Any interest from Form 8621, line 18f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p	
r	Any interest from Form 8621, line 24	17q	
z	Any other taxes. List type and amount:	17z	
18	Total additional taxes. Add lines 17a through 17z		18
19	Reserved for future use		19
20	Section 965 net tax liability installment from Form 965-A	20	
21	Add lines 4, 7 through 16, and 18. These are your total other taxes. Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b		21

Schedule 2 (Form 1040) 2022



**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule 3 (Form 1040) – Additional Credits and Payments (1 of 2)

SCHEDULE 3 (Form 1040)		Additional Credits and Payments		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2022 Assessment Sequence No. 03	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR				Your social security number	
Part I Nonrefundable Credits					
1	Foreign tax credit. Attach Form 1116 if required			1	
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441			2	
3	Education credits from Form 8863, line 19			3	
4	Retirement savings contributions credit. Attach Form 8880			4	
5	Residential energy credits. Attach Form 5695			5	
6	Other nonrefundable credits:				
	a General business credit. Attach Form 3800	6a			
	b Credit for prior year minimum tax. Attach Form 8801	6b			
	c Adoption credit. Attach Form 8839	6c			
	d Credit for the elderly or disabled. Attach Schedule R	6d			
	e Alternative motor vehicle credit. Attach Form 8910	6e			
	f Qualified plug-in motor vehicle credit. Attach Form 8936	6f			
	g Mortgage interest credit. Attach Form 8396	6g			
	h District of Columbia first-time homebuyer credit. Attach Form 8859	6h			
	i Qualified electric vehicle credit. Attach Form 8834	6i			
	j Alternative fuel vehicle refueling property credit. Attach Form 8911	6j			
	k Credit to holders of tax credit bonds. Attach Form 8912	6k			
	l Amount on Form 8978, line 14. See instructions	6l			
	z Other nonrefundable credits. List type and amount:	6z			
7	Total other nonrefundable credits. Add lines 6a through 6z			7	
8	Add lines 1 through 5 and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20			8	

(continued on page 2)

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Schedule 3 (Form 1040) 2022



**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule 3 (Form 1040) – Additional Credits and Payments (2 of 2)

Schedule 3 (Form 1040) 2022				Page 2	
Part II Other Payments and Refundable Credits					
9	Net premium tax credit. Attach Form 8962			9	
10	Amount paid with request for extension to file (see instructions)			10	
11	Excess social security and tier 1 RRTA tax withheld			11	
12	Credit for federal tax on fuels. Attach Form 4136			12	
13	Other payments or refundable credits:				
	a Form 2439	13a			
	b Credit for qualified sick and family leave wages paid in 2022 from Schedule(s) H for leave taken before April 1, 2021	13b			
	c Reserved for future use	13c			
	d Credit for repayment of amounts included in income from earlier years	13d			
	e Reserved for future use	13e			
	f Deferred amount of net 965 tax liability (see instructions)	13f			
	g Reserved for future use	13g			
	h Credit for qualified sick and family leave wages paid in 2022 from Schedule(s) H for leave taken after March 31, 2021, and before October 1, 2021	13h			
	z Other payments or refundable credits. List type and amount:	13z			
14	Total other payments or refundable credits. Add lines 13a through 13z			14	
15	Add lines 9 through 12 and 14. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31			15	

Schedule 3 (Form 1040) 2022




Additional Taxes and Credits (1 of 2)

- ❖ Schedule 2 (Form 1040), Line 4 – Self-employment tax
 - The Internal Revenue Code does not impose self-employment (SE) tax on SE income of an NRA unless the liability is imposed under the terms of an applicable Totalization Agreement.
 - Totalization Agreements determine if an NRA is covered under the U.S. social security system and is therefore subject to SE tax.
- ❖ Schedule 3 (Form 1040), Line 1 – Foreign tax credit
 - To claim credit:
 - Report income from foreign sources on Form 1040-NR, and
 - Paid or owe foreign tax on that income.



Additional Taxes and Credits (2 of 2)

- ❖ Form 1040-NR, Page 2, Line 19 – Child tax credit and credit for other dependents
 - Only available in full to residents of Canada and Mexico and, to a limited extent, to residents of India and South Korea.
 - The person claimed must be U.S. citizen, national, or resident alien.
- ❖ Form 1040-NR, Page 2, Line 23a – Tax on income not effectively connected with a USTB
 - Amounts from completed Schedule NEC.



**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule NEC (Form 1040-NR) (1 of 4)

Tax on Income Not Effectively Connected With a U.S. Trade or Business

Go to www.irs.gov/Form1040NR for instructions and the latest information.
Attach to Form 1040-NR.

SCHEDULE NEC
(Form 1040-NR)

Department of the Treasury
Internal Revenue Service

Name shown on Form 1040-NR

CMB No. 1545-0074


2022

Attachment
Sequence No. **7B**

Enter amount of income under the appropriate rate of tax. See instructions.

Nature of Income		(a) 10%	(b) 15%	(c) 30%	(d) Other (specify)	
					%	%
1 Dividends and dividend equivalents:						
a Dividends paid by U.S. corporations	1a					
b Dividends paid by foreign corporations	1b					
c Dividend equivalent payments received with respect to section 871(m) transactions	1c					
2 Interest:						
a Mortgage	2a					
b Paid by foreign corporations	2b					
c Other	2c					

- ❖ Statutory rate of tax on non-ECI U.S. source FDAP is generally 30%; the 10% and 15% rates commonly apply to various types of income eligible for treaty benefits.
- ❖ Any taxes withheld at source are reported here and carried to Page 2 of Form 1040-NR.
- ❖ Lines 1 and 2 – Dividends and Interest
 - Amounts that are non-ECI are reported on these lines.



**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule NEC (Form 1040-NR) (2 of 4)

15 Other royalties (copyrights, recording, publishing, etc.)	5					
16 Real property income and natural resources royalties	6					
17 Pensions and annuities	7					
18 Social security benefits	8					
19 Capital gain from line 18 below	9					
20 Gambling—Residents of Canada only. Enter net income in column (c). If zero or less, enter -0-						
a Winnings						
b Losses	10c					
21 Gambling winnings—Residents of countries other than Canada. Note: Losses not allowed	11					

- ❖ Line 5 – Other royalties that are non-ECI are reported here.
- ❖ Line 6 – Should not include any income that NRA elected to treat as ECI and included on page 1 of Form 1040-NR.
- ❖ Line 8 – 85% of any U.S. social security benefits are taxable to NRAs and subject to 30% withholding rate unless exempt or taxed at lower treaty rate.



Polling Question #4

Rental income that is considered ECI is reported on:

- a. Schedule E (Form 1040) only
- b. Schedule E (Form 1040), Schedule 1 (Form 1040), and Page 1 of Form 1040-NR
- c. Schedule NEC (Form 1040-NR)
- d. Not reported since income should be fully withheld upon



Form 1040-NR – Tax Withheld

Payments 25	Federal income tax withheld from:		
a	Form(s) W-2	25a	
b	Form(s) 1099	25b	
c	Other forms (see instructions)	25c	
d	Add lines 25a through 25c		25d
e	Form(s) 8805		25e
f	Form(s) 8288-A		25f
g	Form(s) 1042-S		25g

- ❖ For withholding to be allowed as a payment or credit:
 - The taxpayer must attach a copy of the form reporting the withholding to the Form 1040-NR when filed, and
 - The withholding agent must file a copy of the form reporting the withholding with the IRS.

**Communications & Liaison
STAKEHOLDER LIAISON**


Form 1040-NR, Page 2 – Tax, Credits and Payments

Form 1040-NR (2022)		Page 2
Tax and Credits	16 Tax (see instructions). Check if any from Form(s): <input type="checkbox"/> 8814 <input type="checkbox"/> 4972 <input type="checkbox"/> 3 <input type="checkbox"/>	16
	17 Amount from Schedule 2 (Form 1040), line 3	17
	18 Add lines 16 and 17	18
	19 Child tax credit or credit for other dependents from Schedule 8812 (Form 1040)	19
	20 Amount from Schedule 3 (Form 1040), line 8	20
	21 Add lines 19 and 20	21
	22 Subtract line 21 from line 18. If zero or less, enter -0-	22
	23a Tax on income not effectively connected with a U.S. trade or business from Schedule NEC (Form 1040-NR), line 15	23a
	b Other taxes, including self-employment tax, from Schedule 2 (Form 1040), line 21	23b
	c Transportation tax (see instructions)	23c
	d Add lines 23a through 23c	23d
	24 Add lines 22 and 23d. This is your total tax	24
Payments	25 Federal income tax withheld from:	
	a Form(s) W-2	25a
	b Form(s) 1099	25b
	c Other forms (see instructions)	25c
	d Add lines 25a through 25c	25d
	e Form(s) 8805	25e
	f Form(s) 8288-A	25f
	g Form(s) 1042-S	25g
	26 2022 estimated tax payments and amount applied from 2021 return	26
	27 Reserved for future use	27
	28 Additional child tax credit from Schedule 8812 (Form 1040)	28
	29 Credit for amount paid with Form 1040-C	29
	30 Reserved for future use	30
	31 Amount from Schedule 3 (Form 1040), line 15	31
	32 Add lines 28, 29, and 31. These are your total other payments and refundable credits	32
	33 Add lines 25d, 25e, 25f, 25g, 26, and 32. These are your total payments	33

**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule OI (Form 1040-NR) (1 of 3)

SCHEDULE OI (Form 1040-NR)	Other Information	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	Go to www.irs.gov/Form1040NR for instructions and the latest information. Attach to Form 1040-NR. Answer all questions.	2022 Attachment Sequence No. 7C
Name shown on Form 1040-NR	Your identifying number	
A Of what country or countries were you a citizen or national during the tax year? _____		
B In what country did you claim residence for tax purposes during the tax year? _____		
C Have you ever applied to be a green card holder (lawful permanent resident) of the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No		
D Were you ever:		
1. A U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No		
2. A green card holder (lawful permanent resident) of the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No <small>If you answer "Yes" to (1) or (2), see Pub. 519, chapter 4, for expatriation rules that apply to you.</small>		
E If you had a visa on the last day of the tax year, enter your visa type. If you didn't have a visa, enter your U.S. immigration status on the last day of the tax year. _____		
F Have you ever changed your visa type (nonimmigrant status) or U.S. immigration status? <input type="checkbox"/> Yes <input type="checkbox"/> No <small>If you answered "Yes," indicate the date and nature of the change: _____</small>		
<p>❖ Item B – If claiming a treaty benefit, the country listed here should match the appropriate treaty under which the NRA is claiming a benefit.</p>		
<p>❖ Item E – Type of visa held is needed to determine whether NRA is an “exempt” individual for purposes of the Substantial Presence Test (SPT).</p>		



**Communications & Liaison
STAKEHOLDER LIAISON**


Schedule OI (Form 1040-NR) (2 of 3)

G List all dates you entered and left the United States during 2022. See instructions.
Note: If you're a resident of Canada or Mexico **AND** commute to work in the United States at frequent intervals, **check the box for Canada or Mexico** and skip to Item H. Canada Mexico

Date entered United States mm/dd/yy	Date departed United States mm/dd/yy	Date entered United States mm/dd/yy	Date departed United States mm/dd/yy

H Give number of days (including vacation, nonworkdays, and partial days) you were present in the United States during:
 2020 _____, 2021 _____, and 2022 _____.

- ❖ Item G and H – These items detail days of presence in the U.S., which are important in calculating whether the taxpayer meets the SPT.
- ❖ An individual that does not meet the SPT is considered an NRA for tax purposes. Information in this section should reflect this.



**Communications & Liaison
STAKEHOLDER LIAISON**

Schedule OI (Form 1040-NR) (3 of 3)

L Income Exempt From Tax—If you are claiming exemption from income tax under a U.S. income tax treaty with a foreign country, complete (1) through (3) below. See Pub. 901 for more information on tax treaties.

1. Enter the name of the country, the applicable tax treaty article, the number of months in prior years you claimed the treaty benefit, and the amount of exempt income in the columns below. Attach Form 8833 if required. See instructions.

(a) Country	(b) Tax treaty article	(c) Number of months claimed in prior tax years	(d) Amount of exempt income in current tax year

(e) **Total.** Enter this amount on Form 1040-NR, line 1k. Do not enter it anywhere else on line 1

2. Were you subject to tax in a foreign country on any of the income shown in 1(d) above? Yes No

3. Are you claiming treaty benefits pursuant to a Competent Authority determination? Yes No
 If "Yes," attach a copy of the Competent Authority determination letter to your return.

M Check the applicable box if:

1. This is the first year you are making an election to treat income from real property located in the United States as effectively connected with a U.S. trade or business under section 871(d). See instructions

2. You have made an election in a previous year that has not been revoked, to treat income from real property located in the United States as effectively connected with a U.S. trade or business under section 871(d). See instructions

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- ❖ Item L – Must be completed to report income that is exempt from U.S. tax by an income tax treaty.
- ❖ Item M – Checked if NRA is making the initial election or has previously made the election to treat income from real property as ECI.



Polling Question #5

Which statement is true?

- a. Non-ECI items are taxed on a net basis and reported on page 1 of Form 1040-NR.
- b. Capital gains and losses connected with a U.S. trade or business are reported on Schedule NEC (Form 1040-NR).
- c. Statutory rate of tax on non-ECI U.S. source income is generally 30%.
- d. NRAs, like U.S. citizens and resident aliens, are always subject to self-employment tax.



Example – Facts (1 of 2)

- ❖ NRA is a resident of China attending graduate school in U.S. on an F-1 student visa since Sept. 2019.
- ❖ Received the following year-end tax forms:
 - Form W-2 for campus job: \$20,000 wages, \$2,500 federal tax withheld, \$800 state tax withheld
 - Form W-2 for summer internship: \$10,000 wages, \$1,700 federal tax withheld, \$400 state tax withheld
 - Form 1042-S: \$5,000 with income code 20, exemption code 04 (also from summer internship, in which NRA provided Form 8233 with employer claiming \$5,000 of tax-exempt income under Article 20(c) of China-U.S. treaty)
 - Form 1042-S: \$500 dividend, \$150 federal tax withheld
 - Form 1099-G: \$300 state income tax refund
 - Form 1099-INT: \$200 for savings account at U.S. bank



**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Facts (2 of 2)


- ❖ Received \$20,000 in qualified scholarship grants
- ❖ Received \$12,000 rental income for renting out half of condo she owned and lived in
- ❖ Records of the following expense items:
 - \$6,000 real property tax, \$1,000 utilities, \$800 homeowner's insurance, and \$600 HOA fees for condo
 - \$800 cash contribution to qualified U.S. charities
 - \$1,000 unreimbursed employee business expenses during the summer internship



**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Form 1040-NR, Page 1

Income Effectively Connected With U.S. Trade or Business	1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	30,000
	b	Household employee wages not reported on Form(s) W-2	1b	
	c	Tip income not reported on line 1a (see instructions)	1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	e	Taxable dependent care benefits from Form 2441, line 26	1e	
	f	Employer-provided adoption benefits from Form 8839, line 29	1f	
	g	Wages from Form 8919, line 6	1g	
	h	Other earned income (see instructions)	1h	
	i	Reserved for future use	1i	
	j	Reserved for future use	1j	
	k	Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)	1k	5,000
	z	Add lines 1a through 1h	1z	
	2a	Tax-exempt interest	2b	Taxable interest
	3a	Qualified dividends	3b	Ordinary dividends
	4a	IRA distributions	4b	Taxable amount
5a	Pensions and annuities	5b	Taxable amount	
6	Reserved for future use	6		
7	Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here <input type="checkbox"/>	7		
8	Other income from Schedule 1 (Form 1040), line 10	8	8,100	
9	Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income	9	38,100	
10	Adjustments to income:			
a	From Schedule 1 (Form 1040), line 26	10a		
b	Reserved for future use	10b		
c	Reserved for future use	10c		
d	Enter the amount from line 10a. These are your total adjustments to income	10d		
11	Subtract line 10d from line 9. This is your adjusted gross income	11	38,100	
12	Itemized deductions (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)	12	2,000	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a		
b	Exemptions for estates and trusts only (see instructions)	13b		
c	Add lines 13a and 13b	13c		
14	Add lines 12 and 13c	14	2,000	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	36,100	




**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Schedule 1 (Form 1040)

Part I Additional Income			
1	Taxable refunds, credits, or offsets of state and local income taxes	1	300
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	7,900
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(f) excess business loss adjustment	8p	
q	Taxable distributions from an ABLÉ account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s	
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
z	Other income. List type and amount:	8z	
9	Total other income. Add lines 8a through 8z	9	
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10	8,100

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**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Schedule E (Form 1040)

		A	B	C
Income:				
3	Rents received	12,000		
4	Royalties received			
Expenses:				
5	Advertising			
6	Auto and travel (see instructions)			
7	Cleaning and maintenance			
8	Commissions			
9	Insurance			
10	Legal and other professional fees	400		
11	Management fees			
12	Mortgage interest paid to banks, etc. (see instructions)			
13	Other interest			
14	Repairs			
15	Supplies			
16	Taxes	3,000		
17	Utilities	500		
18	Depreciation expense or depletion			
19	Other (list HOA Fees)	300		
20	Total expenses. Add lines 5 through 19	4,200		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6199	7,800		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)			
23a	Total of all amounts reported on line 3 for all rental properties		12,000	
b	Total of all amounts reported on line 4 for all royalty properties			
c	Total of all amounts reported on line 12 for all properties			
d	Total of all amounts reported on line 18 for all properties			
e	Total of all amounts reported on line 20 for all properties		4,200	
24	Income. Add positive amounts shown on line 21. Do not include any losses			7,800
25	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here			
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2			7,800


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**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Form 1040-NR, Page 1

<p>Income Effectively Connected With U.S. Trade or Business</p> <p>Attach Form(s) W-2, 1042-S, SSA-1042-S, RRB-1042-S, and 8289-A here. Also attach Form(s) 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.</p>	1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	30,000
	1b	Household employee wages not reported on Form(s) W-2	1b	
	1c	Tip income not reported on line 1a (see instructions)	1c	
	1d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	1e	Taxable dependent care benefits from Form 2441, line 26	1e	
	1f	Employer-provided adoption benefits from Form 8839, line 29	1f	
	1g	Wages from Form 8919, line 6	1g	
	1h	Other earned income (see instructions)	1h	
	1i	Reserved for future use	1i	
	1j	Reserved for future use	1j	
	1k	Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)	1k	5,000
	z	Add lines 1a through 1h	1z	
	2a	Tax-exempt interest	2a	
	2b	Taxable interest	2b	
	3a	Qualified dividends	3a	
3b	Ordinary dividends	3b		
4a	IRA distributions	4a		
4b	Taxable amount	4b		
5a	Pensions and annuities	5a		
5b	Taxable amount	5b		
6	Reserved for future use	6		
7	Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here <input type="checkbox"/>	7		
8	Other income from Schedule 1 (Form 1040), line 10	8	8,100	
9	Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income	9	38,100	
10	Adjustments to income:	10		
10a	From Schedule 1 (Form 1040), line 26	10a		
10b	Reserved for future use	10b		
10c	Reserved for future use	10c		
10d	Enter the amount from line 10a. These are your total adjustments to income	10d		
11	Subtract line 10d from line 9. This is your adjusted gross income	11	38,100	
12	Itemized deductions (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)	12	2,000	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a		
13b	Exemptions for estates and trusts only (see instructions)	13b		
13c	Add lines 13a and 13b	13c		
14	Add lines 12 and 13c	14	2,000	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	36,100	




**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Schedule A (Form 1040-NR)

Taxes You Paid	1a	State and local income taxes	1a	1,200
	1b	Enter the smaller of line 1a or \$10,000 (\$5,000 if married filing separately)	1b	1,200
Gifts to U.S. Charities <small>Caution: If you made a gift and got a benefit for it, see instructions.</small>	2	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	2	800
	3	Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	3	
	4	Carryover from prior year	4	
	5	Add lines 2 through 4	5	800
Casualty and Theft Losses	6	Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions	6	
Other Itemized Deductions	7	Other—from list in instructions. List type and amount:	7	
Total Itemized Deductions	8	Add the amounts in the far right column for lines 1b through 7. Also, enter this amount on Form 1040-NR, line 12	8	2,000


For Paperwork Reduction Act Notice, see the Instructions for Form 1040-NR. Cat. No. 72749E Schedule A (Form 1040-NR) 2022



Communications & Liaison STAKEHOLDER LIAISON

Example – Form 1040-NR, Page 1 3

Income Effectively Connected With U.S. Trade or Business <small>Attach Form(s) W-2, 1042-S, SSA-1042-S, RRB-1042-S, and 8289-A here. Also attach Form(s) 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.</small>	1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	30,000
	b	Household employee wages not reported on Form(s) W-2	1b	
	c	Tip income not reported on line 1a (see instructions)	1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	e	Taxable dependent care benefits from Form 2441, line 26	1e	
	f	Employer-provided adoption benefits from Form 8839, line 29	1f	
	g	Wages from Form 8919, line 6	1g	
	h	Other earned income (see instructions)	1h	
	i	Reserved for future use	1i	
	j	Reserved for future use	1j	
	k	Total income exempt by a treaty from Schedule OI (Form 1040-NR), item L, line 1(e)	1k	5,000
	z	Add lines 1a through 1h	1z	
	2a	Tax-exempt interest	2a	
	3a	Qualified dividends	3a	
	4a	IRA distributions	4a	
5a	Pensions and annuities	5a		
b	Taxable interest	b		
b	Ordinary dividends	3b		
b	Taxable amount	4b		
b	Taxable amount	5b		
6	Reserved for future use	6		
7	Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here <input type="checkbox"/>	7		
8	Other income from Schedule 1 (Form 1040), line 10	8	8,100	
9	Add lines 1z, 2b, 3b, 4b, 5b, 7, and 8. This is your total effectively connected income	9	38,100	
10	Adjustments to income:			
a	From Schedule 1 (Form 1040), line 26	10a		
b	Reserved for future use	10b		
c	Reserved for future use	10c		
d	Enter the amount from line 10a. These are your total adjustments to income	10d		
11	Subtract line 10d from line 9. This is your adjusted gross income	11	38,100	
12	Itemized deductions (from Schedule A (Form 1040-NR)) or, for certain residents of India, standard deduction (see instructions)	12	2,000	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a		
b	Exemptions for estates and trusts only (see instructions)	13b		
c	Add lines 13a and 13b	13c		
14	Add lines 12 and 13c	14	2,000	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	36,100	




Communications & Liaison STAKEHOLDER LIAISON

Example – Form 1040-NR, Page 2 1

Form 1040-NR (2022)	Page 2			
Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	4,130
17	Amount from Schedule 2 (Form 1040), line 3	17		
18	Add lines 16 and 17	18		4,130
19	Child tax credit or credit for other dependents from Schedule 8812 (Form 1040)	19		
20	Amount from Schedule 3 (Form 1040), line 8	20		
21	Add lines 19 and 20	21		
22	Subtract line 21 from line 18. If zero or less, enter -0-	22		4,130
23a	Tax on income not effectively connected with a U.S. trade or business from Schedule NEC (Form 1040-NR), line 15	23a	50	
b	Other taxes, including self-employment tax, from Schedule 2 (Form 1040), line 21	23b		
c	Transportation tax (see instructions)	23c		
d	Add lines 23a through 23c	23d		50
24	Add lines 22 and 23d. This is your total tax	24		4,180
Payments	25	Federal income tax withheld from:		
a	Form(s) W-2	25a	4,200	
b	Form(s) 1099	25b		
c	Other forms (see instructions)	25c		
d	Add lines 25a through 25c	25d		4,200
e	Form(s) 8805	25e		
f	Form(s) 8288-A	25f		
g	Form(s) 1042-S	25g	150	
26	2022 estimated tax payments and amount applied from 2021 return	26		
27	Reserved for future use	27		
28	Additional child tax credit from Schedule 8812 (Form 1040)	28		
29	Credit for amount paid with Form 1040-C	29		
30	Reserved for future use	30		
31	Amount from Schedule 3 (Form 1040), line 15	31		
32	Add lines 28, 29, and 31. These are your total other payments and refundable credits	32		
33	Add lines 25d, 25e, 25f, 25g, 26, and 32. These are your total payments	33		4,350
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	170

Nature of Income		(a) 10%	(b) 15%	(c) 30%	(d) Other (specify)	
					%	%
1	Dividends and dividend equivalents:					
a	Dividends paid by U.S. corporations	500				
b	Dividends paid by foreign corporations					
c	Dividend equivalent payments received with respect to section 871(m) transactions					
2	Interest:					
a	Mortgage					
b	Paid by foreign corporations					
c	Other					
3	Industrial royalties (patents, trademarks, etc.)					
4	Motion picture or TV copyright royalties					
5	Other royalties (copyrights, recording, publishing, etc.)					
6	Real property income and natural resources royalties					
7	Pensions and annuities					
8	Social security benefits					
9	Capital gain from line 18 below					
10	Gambling—Residents of Canada only. Enter net income in column (c). If zero or less, enter -0-					
a	Winnings					
b	Losses					
11	Gambling winnings—Residents of countries other than Canada. Note: Losses not allowed					
12	Other (specify):					
13	Add lines 1a through 12 in columns (a) through (d)	500				
14	Multiply line 13 by rate of tax at top of each column	50				
15	Tax on income not effectively connected with a U.S. trade or business. Add columns (a) through (d) of line 14. Enter the total here and on Form 1040-NR, line 23a					50

		Form 1040-NR (2022)			Page 2	
Tax and Credits	16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>			16	4,130
	17	Amount from Schedule 2 (Form 1040), line 3			17	
	18	Add lines 16 and 17			18	4,130
	19	Child tax credit or credit for other dependents from Schedule 8812 (Form 1040)			19	
	20	Amount from Schedule 3 (Form 1040), line 8			20	
	21	Add lines 19 and 20			21	
	22	Subtract line 21 from line 18. If zero or less, enter -0-			22	4,130
	23a	Tax on income not effectively connected with a U.S. trade or business from Schedule NEC (Form 1040-NR), line 15	50			
	b	Other taxes, including self-employment tax, from Schedule 2 (Form 1040), line 21				
	c	Transportation tax (see instructions)				
	d	Add lines 23a through 23c			23d	50
	24	Add lines 22 and 23d. This is your total tax			24	4,180
Payments	25	Federal income tax withheld from:				
	a	Form(s) W-2	4,200			
	b	Form(s) 1099				
	c	Other forms (see instructions)				
	d	Add lines 25a through 25c			25d	4,200
	e	Form(s) 8805			25e	
	f	Form(s) 8288-A			25f	
	g	Form(s) 1042-S			25g	150
	26	2022 estimated tax payments and amount applied from 2021 return			26	
	27	Reserved for future use			27	
	28	Additional child tax credit from Schedule 8812 (Form 1040)			28	
	29	Credit for amount paid with Form 1040-C			29	
	30	Reserved for future use			30	
	31	Amount from Schedule 3 (Form 1040), line 15			31	
	32	Add lines 28, 29, and 31. These are your total other payments and refundable credits			32	
	33	Add lines 25d, 25e, 25f, 25g, 26, and 32. These are your total payments			33	4,350
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid			34	170



**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Schedule OI (Form 1040-NR) (1 of 2)

A Of what country or countries were you a citizen or national during the tax year? China

B In what country did you claim residence for tax purposes during the tax year? China

C Have you ever applied to be a green card holder (lawful permanent resident) of the United States? Yes No

D Were you ever:

- A U.S. citizen? Yes No
- A green card holder (lawful permanent resident) of the United States? Yes No

If you answer "Yes" to (1) or (2), see Pub. 519, chapter 4, for expatriation rules that apply to you.

E If you had a visa on the last day of the tax year, enter your visa type. If you didn't have a visa, enter your U.S. immigration status on the last day of the tax year. F-1

F Have you ever changed your visa type (nonimmigrant status) or U.S. immigration status? Yes No
If you answered "Yes," indicate the date and nature of the change: _____

G List all dates you entered and left the United States during 2022. See instructions.
Note: If you're a resident of Canada or Mexico **AND** commute to work in the United States at frequent intervals, check the box for **Canada** or **Mexico** and skip to item H. Canada Mexico


Date entered United States mm/dd/yy	Date departed United States mm/dd/yy	Date entered United States mm/dd/yy	Date departed United States mm/dd/yy

H Give number of days (including vacation, nonworkdays, and partial days) you were present in the United States during:
2020 350, 2021 130, and 2022 365.

I Did you file a U.S. income tax return for any prior year? Yes No
If "Yes," give the latest year and form number you filed: 2021, Form 1040-NR

J Are you filing a return for a trust? Yes No
If "Yes," did the trust have a U.S. or foreign owner under the grantor trust rules, make a distribution or loan to a U.S. person, or receive a contribution from a U.S. person? Yes No

K Did you receive total compensation of \$250,000 or more during the tax year? Yes No
If "Yes," did you use an alternative method to determine the source of this compensation? Yes No



**Communications & Liaison
STAKEHOLDER LIAISON**

Example – Schedule OI (Form 1040-NR) (2 of 2)

L Income Exempt From Tax—If you are claiming exemption from income tax under a U.S. income tax treaty with a foreign country, complete (1) through (3) below. See Pub. 901 for more information on tax treaties.

1. Enter the name of the country, the applicable tax treaty article, the number of months in prior years you claimed the treaty benefit, and the amount of exempt income in the columns below. Attach Form 8833 if required. See instructions.

(a) Country	(b) Tax treaty article	(c) Number of months claimed in prior tax years	(d) Amount of exempt income in current tax year
China	20(c)	29	5,000
(e) Total. Enter this amount on Form 1040-NR, line 1k. Do not enter it anywhere else on line 1 . . .			5,000

2. Were you subject to tax in a foreign country on any of the income shown in 1(d) above? Yes No

3. Are you claiming treaty benefits pursuant to a Competent Authority determination? Yes No
If "Yes," attach a copy of the Competent Authority determination letter to your return.

M Check the applicable box if:

- This is the first year you are making an election to treat income from real property located in the United States as effectively connected with a U.S. trade or business under section 871(d). See instructions.
- You have made an election in a previous year that has not been revoked, to treat income from real property located in the United States as effectively connected with a U.S. trade or business under section 871(d). See instructions.

For Paperwork Reduction Act Notice, see the Instructions for Form 1040-NR. Cat. No. 72756T Schedule OI (Form 1040-NR) 2022



Polling Question #6

Which statement is correct?

- a. The 2022 Form 1040-NR uses the same Schedules 1, 2, and 3 as the 2022 Form 1040.
- b. The 2022 Form 1040-NR has its own Schedule E.
- c. Schedule OI is no longer required when claiming an exemption from income under an income tax treaty in 2022.
- d. Schedule A (Form 1040-NR) is used to report unreimbursed employee business expenses for NRAs for 2022.



IRS Publications and Additional Resources

- ❖ Publication 519, *U.S. Tax Guide for Aliens*
- ❖ Publication 515 – *Withholding of Tax on Nonresident Aliens and Foreign Entities*
- ❖ Instructions for Form 1040-NR (2022) - *U.S. Nonresident Alien Income Tax Return*
- ❖ Instructions for Form 1040 – *U.S. Individual Income Tax Return*
- ❖ IRS.gov – International Topics



Key Points

- ❖ Nonresident alien individuals (NRAs) are generally taxed only on U.S. source FDAP income and income effectively connected with a USTB.
- ❖ Form 1040-NR uses many schedules shared with Form 1040.
- ❖ U.S. source FDAP is taxed on a gross basis at a rate of 30% (unless reduced by an applicable U.S. tax treaty) and reported on Schedule NEC (Form 1040-NR).



Key Points – cont.

- ❖ ECI is taxed on a net-basis (similar to U.S. residents, but U.S. residents are generally subject to U.S. tax on worldwide income) and is reported on page 1 of Form 1040-NR.
- ❖ Schedule OI (Form 1040-NR) needs to be completed with Form 1040-NR to provide additional information about the NRA.



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- **www.irsvideos.gov**



THANK YOU!