



Nonresident Alien Tax Issues and the GLACIER System

University Accounting Services

July 12, 2023

Objectives



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Basic Immigration concepts

Common Payments and who receives them

Glacier: What, Where, When & Why?



Basic Immigration Concepts

For U.S. tax purposes there are four categories of individuals:

1. U.S. Citizens (U.S. born, Naturalized) – Do not need GLACIER
 2. Permanent Residents and immigrants such as asylees, refugees, persons in temporary protected status, and Deferred Action for Childhood Arrivals (DACA) – Do not need GLACIER
 3. Resident Alien for U.S. tax purposes – Need GLACIER to determine this status
 4. Nonresident Alien for U.S. tax purposes – Need GLACIER to determine this status
-

Basic Immigration Categories



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For U.S. immigration purposes we have:

1. Immigrant Alien = intend to reside in U.S. indefinitely
Permanent Residents or Refugee, Asylee, Temporary protected status and DACA
 2. Non-Immigrant Alien = present in U.S. for a temporary period of time
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U.S. Tax System (“normal” tax regulations)

- U.S. Citizen
- Permanent Resident Alien
- Resident Alien for U.S. Tax Purposes

Nonresident Alien Tax System (special tax regulations apply)

- Nonresident Alien for U.S. Tax Purposes
-

Tax Residency Status Resident Alien for U.S. Tax purposes (RA)



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Resident Alien for U.S. Tax Purposes:

- Taxed like a U.S. Citizen
 - Taxed on **worldwide** income
 - Can complete W-4 in any manner they wish
 - Withholding calculation using standard tables
 - May Claim tax treaty using form W-9 (limited number of countries)
 - Not exempt from SS and Med Taxes (unless Student FICA, SS Totalization Agreement)
 - File's form 1040, 1040EZ, 1040 A.....
 - Report payments on W-2, 1099, could receive 1042-S (If still treaty eligible or updated GLACIER not received)
-

Tax Residency Status

Nonresident Alien (NRA)



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Nonresident Alien for U.S. Tax Purposes

- Taxed under NRA regulations
- Taxed on U.S. source income only
- Complete special NRA form W-4 as single or Married filing separately.
- Tax Treaty for personal services claimed on IRS Form 8233
- Independent personal services, royalties, scholarships/fellowships, prize & awards taxed at 30%, unless:

Applicable tax treaty is available AND invoked by the recipient

The recipient is eligible for a reduced tax rate as defined by their Visa type

Nonresident Alien for Tax Purposes (continued)

- Some non-service scholarship/fellowships taxed at 14% based on an F1 or J1 visa type. Other visa types are taxed 30% (unless tax treaty and Form W-8BEN is **submitted**)
 - Limited itemized deductions
 - Report payments on W-2, 1042-S (never 1099)
-

Tax residency status taxed as U.S. Person



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The following categories of individuals are treated as a U.S. Person for tax purposes.

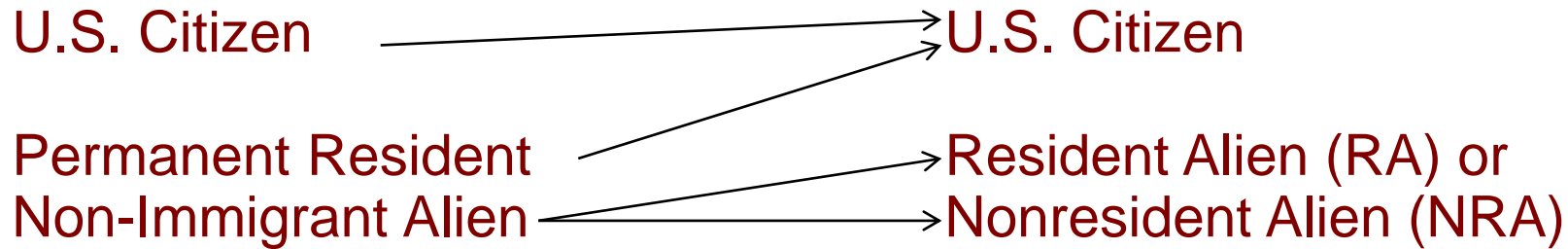
- Has been granted lawful permanent resident status in U.S.
- Temporary protected status, DACA, refugee, or asylee

USCIS Definitions vs. IRS Definitions



Immigration (USCIS)

Tax (IRS) Purpose Only



A person's **immigration label** (U.S. citizen, permanent resident, non-immigrant alien) will **not** change.

A person's **IRS Tax label** may change. A permanent resident will be considered a U.S. citizen for tax purposes. A non-immigrant alien will be considered a Resident Alien (RA) or Nonresident Alien (NRA) for tax purposes.



Common Payments and who receives them

TAMU Common Payments:



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There are several forms of payments from TAMU, tax implications will need to be determined. The three most common payments are:

1. Payroll payments - will be made through Workday and will include Employees, Faculty, Graduate Assistants, and student workers

2. Accounts payable payments - will be made through Aggie Buy and will include Guest speakers, Artist/Performer, Industrial Royalties and Copyright Royalties and any other payments such as Prize or Awards or Research and survey participants.

3. Scholarship/Fellowship payments – will be made through the students billing account. This is for students receiving Scholarship/Fellowship, Tuition Waivers and Qualified 3rd party waivers (Department payments).

Visa Categories common for TAMU payments (1/3)



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Payroll: (payments made through Workday)

- F-1 Student Only;
 - J-1 Research Scholar; Professor; Student
 - J-2 Dependent of J-1
 - H-1B Temporary professional worker in specialty occupation
 - O-1 extraordinary ability alien
 - TN-1 Canadian holder of Trade NAFTA visa
 - TN-2 Mexican holder of Trade NAFTA visa
-

Visa Categories Common for TAMU payments (2/3)



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Accounts Payable:

- B-1 Visitor for business
- B-2 Visitor for tourism
- W-B/W-T Visa Waiver business or tourist
- J-1's sponsored by other institutions
- H-1B and O-1 sponsored by other institutions
- F-1 student
- J-1 students/scholars

Some Restrictions that apply:
9/5/6 Rule for B-1/B-2 and W-B/W-T

9/5/6 Rule is the activity does not last longer than 9 days at any single institution and the visitor cannot accept honorariums or expense reimbursements from more than 5 institutions in the previous 6-month period.

J-1 need permission letter
other H1 & O1 can only be reimbursed expenses, etc.

Please contact internationalAP@tamu.edu if you have any questions regarding a person's status or payment eligibility.

Visa Categories common for TAMU payments (3/3)



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Scholarship/Fellowship: (Payments processed in Banner)

- F-1 Student
- J-1 Student

Reminder: This type of payment is Taxable depending on the student's status. Examples of this income are non-service scholarship paid to a student's account, fellowship, stipends, qualified third-party payments, and waivers.

1. Any outstanding International tax balances will be deducted before any refunds are processed to their student account.
2. Multiple GLACIER accounts may be needed.

Note: A **separate** GLACIER account is needed for each Workstation in the Texas A&M University System. For example, if a student employee at TEES receives a TAMU scholarship, the student will need a TEES GLACIER account for payroll and a TAMU GLACIER account for the scholarship.

Test your knowledge #1



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1. A person's immigration label (U.S. citizen, permanent resident, non-immigrant alien) will change after they arrive in the U.S.

True

False

2. What is the Student Only Visa code?

F1

S1

H1

O1

Test your knowledge #1



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1. A person's immigration label (U.S. citizen, permanent resident, non-immigrant alien) will change after they arrive in the U.S.

True

False

2. What is the Student Only Visa code?

F1

S1

H1

O1



GLACIER what, where, when, & why?

What is GLACIER?



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A web-based tool used by institutions to determine how to tax payments made to foreign individuals and companies. Helps collect information to determine tax residency status & tax treaty eligibility for resident and nonresident aliens. Helps in managing paperwork, maintaining data, and filing reporting statements to the IRS.

Why does TAMU use GLACIER?



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GLACIER calculates Substantial Presence Test (SPT) based on the information entered by the person receiving a payment.

The GLACIER Online Tax Compliance System is an efficient and effective way to manage tax liability.

To comply with strict IRS regulations and U.S. tax laws regarding payments to individuals who are not U.S. citizens or not U.S. permanent residents.

Benefits of GLACIER



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To ensure proper taxation of payments to foreign nationals and to apply tax treaty benefits correctly for individuals who are eligible.

To calculate foreign individuals' tax residency status for U.S. tax purposes (applies the SPT).

Who should use GLACIER (1/2)



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Students receiving Scholarships or Fellowships (tuition waivers)

Employees receiving salaries or wages

Speakers receiving honorariums (TN & H1B visa holders cannot receive honorariums)

Consultants receiving consulting fees

Recipients of royalties, prizes, etc.

Any combination of the above

Who should use GLACIER (2/2)



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Any individual who is **not** a U.S. Citizen

or

Not a U.S. Permanent Resident

and

Who will be receiving any type of payment from TAMU

Only exception to the above are DACAs (DACAs are considered residents for tax purposes based on how they are granted this status)

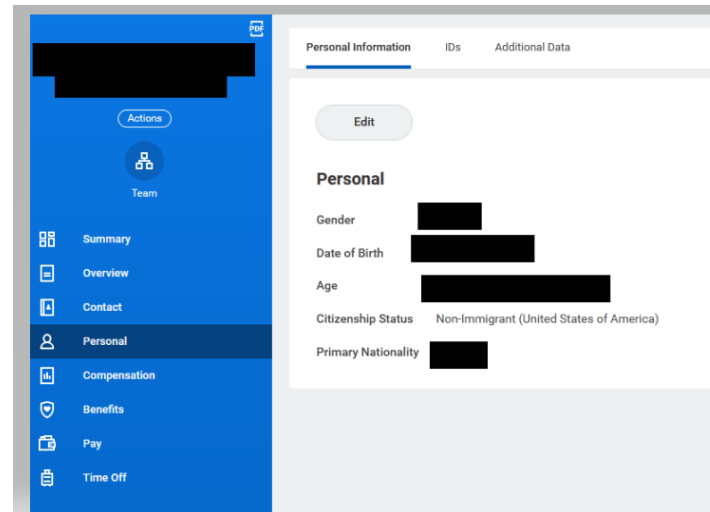
Multiple accounts may be needed. For example, if a student employee at TEES receives a TAMU scholarship, the student will need a TEES GLACIER account for payroll and a TAMU GLACIER account for the scholarship.

How to determine who will need GLACIER:



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Anyone in Workday with a Citizenship Status of non-immigrant (United States of America)



Non-Immigrants that don't require a GLACIER account are Refugee, Asylee, DACA, or Temporary protected status.

Calculating U.S. tax residency status or “why we use GLACIER”



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Substantial Presence Test (SPT) is a calculation used by the Internal Revenue Service (IRS) to determine whether an individual who is not a citizen or lawful permanent resident in the recent past qualifies as a “resident for U.S. tax purposes” or a “nonresident for U.S. tax purposes”, it is a form of physical presence test.

Also known as the 183 Day rule

Must be present for at least 31 days in current calendar year and 183 ‘days’ in 3 year period

SPT calculated as follows:

Days present in U.S. during the current calendar year
+ 1/3 days present in U.S. during first preceding year
+ 1/6 days present in U.S. during second preceding year
= Total days present for substantial presence test

GLACIER does the Calculations



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If the total number of days for tax purposes is 183 or more, then individual is a Resident Alien for U.S. Tax Purposes

If the total number of days for tax purposes is 182 or less, then individual is a Nonresident Alien for U.S. Tax Purposes

Exceptions to Substantial Presence Test (SPT)



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However, there are exceptions to the SPT!

Exempt individuals (exempt from counting days toward the SPT calculation beginning with the first day of arrival”

- Students in F, J, M, Q status are exempt from counting days for five calendar years
 - J non-student status (teacher, researcher, short-term scholar...) are exempt from counting days for two calendar years (2 out of the current and previous 6 years)
-

Example SPT calculation



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John Doe was a citizen and resident of a foreign country just prior to his arrival in the United States. He is a research scholar at a university. He arrived in the United States for the very first time ever on 08-29-2018 on a J-1 visa. He has substantially complied with the requirements of his visa and has remained in the United States ever since. Assuming he has not changed to another immigration status, determine his residency starting date.

Solution:

Date of entry into United States: 08-29-2018

Research scholar J-1 visa

Exempt individual for 2 calendar years: 2018 and 2019

Begin counting days on 01-01-2020

Number of nonexempt days in United States during 2020: 366 days

Count days as follows:

Current year (2020) days in United States $(366) \times 1 = 366$ days

Prior year (2019) days in United States $(0) \times 1/3 = 0$ days

Year before that (2018) days in United States $(0) \times 1/6 = 0$ days

Total = 366 days

John Doe meets the substantial presence test on 07-01-2020 (the 183rd day of 2020). A's residency starting date under IRC § 7701(b) is 01-01-2020 (the first day he was present in United States during the calendar year in which he met the substantial presence test).

More examples can be found at:

<https://www.irs.gov/individuals/international-taxpayers/alien-residency-examples>

Exemptions



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Federal Income Tax (FIT)

- Only exempt from FIT withholding if eligible and properly claim tax treaty benefit on applicable IRS Form 8233 or W-8BEN (completed by GLACIER)

Exempt from Social Security and Medicare tax

- Exempt if NRA and F-1 or J-1 status (known as the Foreign FICA Exemption); or
 - Exempt if meet Student FICA exemption
 - FICA is never exempted by a tax treaty
-

How does it work?



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Individual obtains password to access GLACIER.

Individual enters personal information in GLACIER.

GLACIER calculates U.S. tax residency status and determines any tax treaty eligibility based on information *provided by the individual.*

GLACIER Important Notes



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- A person may need **multiple** GLACIER accounts.
 - A **separate** GLACIER account is needed for each Workstation in the Texas A&M University System. For example, if a student employee at TEES receives a TAMU scholarship, the student will need a TEES GLACIER account for payroll and a TAMU GLACIER account for the scholarship.
 - GLACIER **will not** share information between accounts.
 - Our website has many [helpful instructions regarding GLACIER.](https://fmo.tamu.edu/tax-compliance-reporting/Instructions)
<https://fmo.tamu.edu/tax-compliance-reporting/Instructions>
-

How do (TAMU) foreign individuals get access to GLACIER? (1/2)



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For Employment (compensation) purposes:

The HR will make requests at onboarding of TAMU, System, HSC, and TDEM employees.

For Scholarship/Fellowship purposes:

S/F GLACIER accounts are created for any student who is getting charge International withholding tax.

How do (TAMU) foreign individuals get access to GLACIER? (2/2)



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For Speaker fees (Guest Speaker), Consulting Fees, Royalties, and Prizes and Awards, Department will send an email to request an account to be set up via email to [Accounts Payable \(internationalAP@tamu.edu\)](mailto:internationalAP@tamu.edu)

GLACIER ***must be completed before*** the speaker, consultant, or researcher leaves the U.S.

The person ***cannot*** correctly access GLACIER after leaving the U.S.

The department sponsoring the person in the U.S. may be taxed up to 30% of the total paid to the person. The tax amount will be taken from the department's current budget and the department is also liable for the gross up. The Gross-up is the tax on the tax as the amount of tax paid on behalf of an Individual/Vendor becomes taxable income to the Individual/Vendor and must be taxed as well.

How is access granted to GLACIER?



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Persons going on payroll and being paid through Workday:

- HR will request account at onboarding
 - Request should not be sent earlier than 30 days from arrival date/event date
 - Full name (First/Middle/Last), full UIN (no dashes), preferred email address, pay frequency and pay station (TAMU, HSC, TAMUG, TDEM) needs to be included in email
 - AP GLACIER accounts: The department should contact internationalAP@tamu for any foreign vendors. This will include any international student receiving an award or prize.
 - Scholarship/Fellowship accounts: Are created by International tax for anyone who has received international withholding tax charged to their student account.
-

What does GLACIER do?



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GLACIER completes and prints the appropriate tax forms (Examples of forms GLACIER completes include Tax Summary Report, W-4, W-9, Form 8233, W-8BEN).
Determines tax status based on information entered.

*Sample reports are available under the Resources tab and also at:
https://uas.tamu.edu/tax/_media/glacier-information-examples.pdf*

What is the responsibility of the Individual/Vendor?



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Individual complete GLACIER account and submits forms and required copies as instructed on the Tax Summary Report.

Payment to individual/Vendor can now be taxed and reported properly based on the information provided by the individual/Vendor.

Important Notes



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- It is important to monitor residency change dates to ensure payments are taxed and reported appropriately.
- Individuals must update GLACIER record and report changes such as:
 - Change in immigration status
 - Days of presence in or out of the U.S.
 - Any updated forms MUST be sent to Tax Compliance and Reporting.

These changes could have tax consequences, both to the individual, as well as TAMU!

Test your knowledge #2 (1/3)



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1. The Substantial Presence Test (SPT) is also known as the:

- a) 3 year rule
- b) 6 year rule
- c) 183 day rule
- d) 31 day rule

2. GLACIER is a _____ used by institutions that make payments to foreign individuals and companies.

- a) program only on my computer
 - b) web-based tool
 - c) foreign language program
-

Test your knowledge #2 (1/3)



TEXAS A&M
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- a) 3 year rule
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- d) 31 day rule

2. GLACIER is a _____ used by institutions that make payments to foreign individuals and companies.

- a) program only on my computer
 - b) web-based tool
 - c) foreign language program
-

Test your knowledge #2 (2/3)



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3. It is the individual's responsibility to update their GLACIER account.

- a) True
- b) False

4. Who should use GLACIER?

- a) Any individual who is not a U.S. Citizen
 - b) Any individual who is not a U.S. Permanent Resident
 - c) Any international individual or vendor who will be receiving any type of payment from TAMU or the TAMU System
 - d) All of the above
 - e) None of the above
-

Test your knowledge #2 (2/3)



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3. It is the individual's responsibility to update their GLACIER account.

- a) True
- b) False

4. Who should use GLACIER?

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 - b) Any individual who is not a U.S. Permanent Resident
 - c) Any international individual or vendor who will be receiving any type of payment from TAMU or the TAMU System
 - d) All of the above
 - e) None of the above
-

Test your knowledge #2 (3/3)



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5. Who should complete/update GLACIER?

- a) International students receiving Non-Service Scholarships or Fellowships
- b) International employees receiving salaries or wages
- c) International speakers receiving honorariums
- d) International consultants receiving consulting fees
- e) International Recipients of royalties, prizes, etc.
- f) Any combination of the above
- g) None of the above

6. Why is GLACIER important to the individual?

- a) Ensure proper taxation of payments
 - b) Apply tax treaty benefits correctly
 - c) Calculate foreign tax residency status for U.S. tax purposes
 - d) All of the above
 - e) None of the above
-

Test your knowledge #2 (3/3)



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5. Who should complete/update GLACIER?

- a) International students receiving Non-Service Scholarships or Fellowships
- b) International employees receiving salaries or wages
- c) International speakers receiving honorariums
- d) International consultants receiving consulting fees
- e) International recipients of royalties, prizes, etc.
- f) Any combination of the above
- g) None of the above

6. Why is GLACIER important to the individual?

- a) Ensure proper taxation of payments
 - b) Apply tax treaty benefits correctly
 - c) Calculate foreign tax residency status for U.S. tax purposes
 - d) All of the above
 - e) None of the above
-

Foreign National Visa Matrix



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The [Foreign National Visa Matrix](https://uas.tamu.edu/tax/_media/Foreign-National-Visa-Matrix.pdf) helps determine the type of payroll payment or other payment(s) the person may receive.

https://uas.tamu.edu/tax/_media/Foreign-National-Visa-Matrix.pdf

Important Reminders (1/3)



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To the Hiring Department

If you hire an individual who is **not** a U.S. Citizen or a U.S. Permanent Resident a GLACIER is needed to ensure proper taxation.

Foreign Students are limited to 20 hours per work week while classes are in session.

Remember: Only you know who you are hiring!

Important Reminders (2/3)



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To the Employee

Please remind your employees that they must update their GLACIER record and report changes such as:

Change in immigration status

Days of presence in or out of the U.S.

Any updated forms should be sent to GLACIER contact

Important Reminders (3/3)



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To the Department

Tuition waivers entered after Graduation will cause a taxable event.

Scholarships could cause a taxable event.

Guest speakers need to complete GLACIER before they leave the U.S.

Internationals are taxed in a special way. Please e-mail internationaltax@tamu.edu if you have any questions.

All Foreign Vendors need to have a GLACIER account to determine how they should be taxed.



ANY changes in immigration status, extensions and departures could have tax consequences, both to the individual, as well as TAMU!

Test your knowledge #3 (1/2)



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1. **The Foreign National Visa Matrix helps determine _____ a person may receive.**
 - a) payroll payments
 - b) training
 - c) other payments

 2. **Students are limited to _____ hours per work week while classes are in session.**
 - a) 10
 - b) 20
 - c) 30
 - d) 40
-

Test your knowledge #3 (1/2)



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1. The Foreign National Visa Matrix helps determine _____ a person may receive.
 - a) payroll payments
 - b) training
 - c) other payments

 2. Students are limited to _____ hours per work week while classes are in session.
 - a) 10
 - b) 20
 - c) 30
 - d) 40
-

Test your knowledge #3 (2/2)



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3. If I have more questions or need additional information, where can I look and whom should I ask?

- a) <https://fmo.tamu.edu/tax-compliance-reporting>
 - b) The student
 - c) Email internationaltax@tamu.edu
 - d) Facebook
-

Test your knowledge #3 (2/2)



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3. If I have more questions or need additional information, where can I look and whom should I ask?

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 - b) The student
 - c) Email internationaltax@tamu.edu
 - d) Facebook
-

Any Questions?



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Tax Compliance and Reporting

Amy Hejl or Kristen Burnett

[International Tax \(internationaltax@tamu.edu\)](mailto:internationaltax@tamu.edu)

[International Accounts Payable \(Internationalap@tamu.edu\)](mailto:Internationalap@tamu.edu)

[GLACIER new employee entry process \(https://uas.tamu.edu/tax/_media/glacier-new-employee-entry-process.pdf\)](https://uas.tamu.edu/tax/_media/glacier-new-employee-entry-process.pdf)

[GLACIER for guest speakers, independent contractors, or royalty recipients \(https://fmo.tamu.edu/accounts-payable/individual-payments/docs/glacier-for-visitors/#\)](https://fmo.tamu.edu/accounts-payable/individual-payments/docs/glacier-for-visitors/#)

TRAINTRAQ: Course 2112731

All slides to this presentation can be found on our website at uas.tamu.edu/tax



Thank you!

