



Engagement. Service. Improvement.

Individual Income Tax for International Students

University of Michigan – Webinar

March 21 & 22, 2023

Disclaimer

This handout is provided as part of a presentation and is for illustrative purposes only.

The content does not carry the weight of law, bulletins, or rulings. Therefore, it should only be used as an aid for understanding concepts, taking notes, and reference based on the material presented.

The topics covered, screenshots provided, and guidance supplied is subject to change. The most current Treasury information on this topic is available at michigan.gov/taxes.

TREASURY'S FOUNDATION

EMPLOYEE ENGAGEMENT

Commitment to an inclusive environment that values diverse perspectives and cultivates employee recruitment, retention, development, and leadership.

CULTURE OF SERVICE

Provide complete, accurate, and timely services to all internal and external customers in a professional manner.

CONTINUOUS IMPROVEMENT

Commitment to proactive and innovative employee-driven solutions in our daily operations and in strategic financial leadership.

TREASURY'S MISSION, VISION, and VALUES

MISSION

Providing fair and efficient financial services on behalf of taxpayers, governments, students, and all Michiganders, for the long-term fiscal health and stability of our state.

VISION

We are the innovative and inclusive resource provider of exceptional financial services for a better Michigan.

VALUES

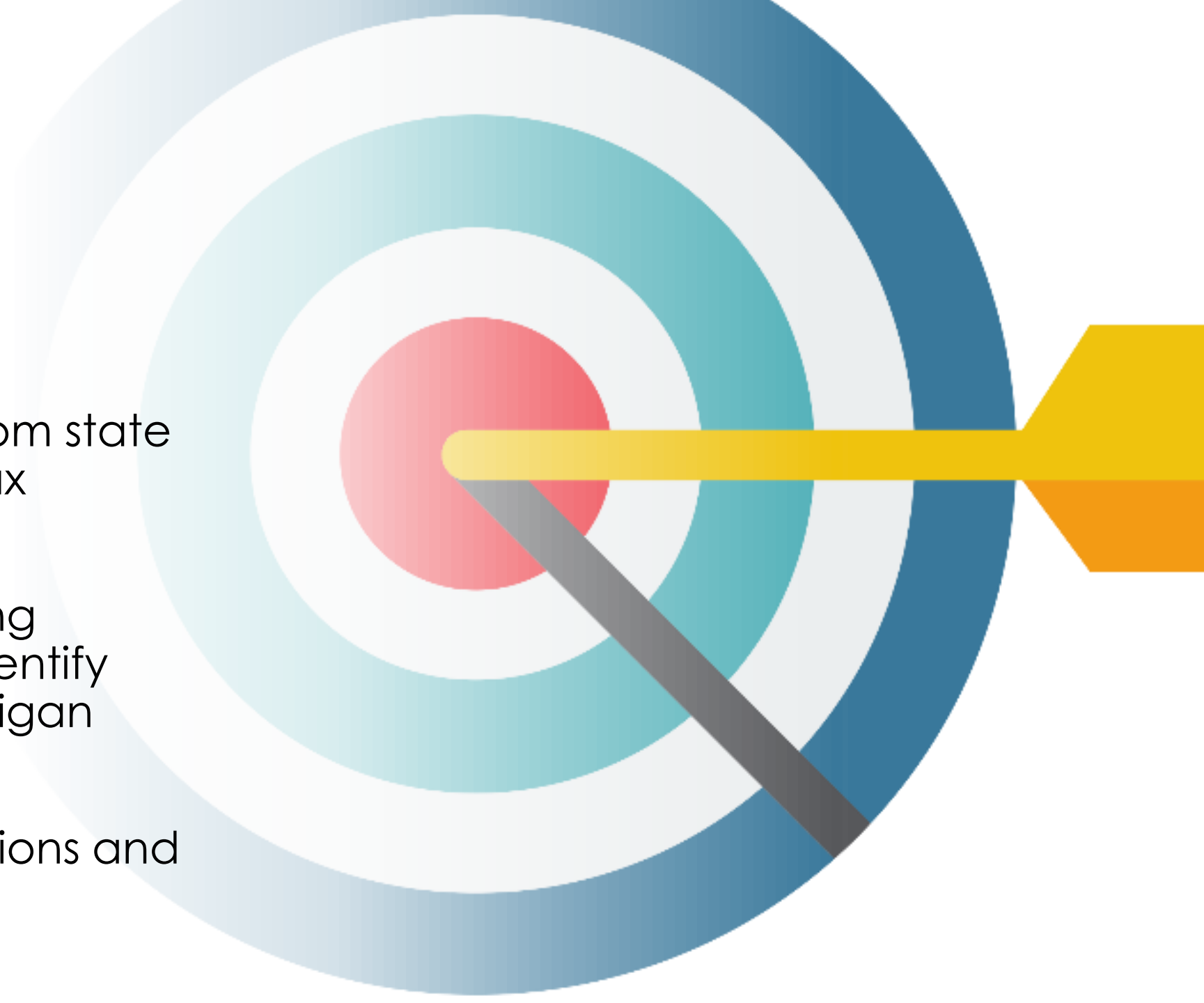
Integrity ~ Inclusion & Diversity ~ Innovation ~ Public Service



An engaged team of skilled communicators, educators, and architects who coordinate and produce **public education resources** on important **tax-adjacent topics**, providing stakeholders throughout the State of Michigan and beyond with accessible knowledge and feedback opportunities.

Presentation Purpose

- ▶ distinguish federal from state taxes and income tax components
- ▶ explain Michigan filing requirements and identify who must file a Michigan Income Tax Return
- ▶ provide filing instructions and guidance





Distinguishing Taxes

Federal Taxes vs. State Taxes

► Federal Taxes

- due to the Internal Revenue Service; authority = Internal Revenue Code
- based on income
- taxpayer can be individuals, businesses, or other legal entities
- no federal sales and/or use tax

► State Taxes

- due to a state's revenue department; Michigan = Department of Treasury
- Michigan authority = Michigan Compiled Laws (MCL)
- can be based on income, business activity, property ownership, or government services
- taxpayer can be individuals, businesses, or other legal entities

Individual Income Tax vs. Business Taxes

► Individual Income Tax

- all forms of earnings make up your personal annual taxable income
- e.g.: employment earnings, business income, capital gains
- individuals responsible for tax

► Business Taxes

- primarily based on business activity, business status, or business income
- business entity responsible for tax
- owners, officers, partners, etc. can be held personally liable

► ***Tax liability cannot be contracted away to service providers.***

Individual Tax Requirements

- ▶ **Federal** income tax laws, rules, forms, etc. are separate and distinct from each state's income tax laws, rules and forms.
- ▶ **State** income tax returns are built from federal income tax return information.
- ▶ Complete the federal tax return before the applicable state tax return.



Tax Year 2022 Filing Requirements

Do you need to file a 2022 Michigan Return?

YES

- ▶ if you filed the federal *U.S. Nonresident Alien Income Tax Return* (1040-NR) **and** you have taxable income in Michigan
- ▶ if federal Adjusted Gross Income (AGI) is greater than your Michigan personal exemption allowance

NO

- ▶ if AGI is **less than** your exemption allowance
- ▶ **except** to claim a refund of taxes withheld

Nonresident

If you are considered a **nonresident alien** for federal tax purposes, you are considered a **nonresident** for Michigan tax purposes.

Domicile

- ▶ permanent and principal home to which a person **always** intends to return, even if they are temporarily located elsewhere
- ▶ A person has only 1 domicile at a time.
- ▶ If your domicile is not in Michigan, you are a nonresident of Michigan.

Credits nonresidents are not eligible for:

- ▶ Homestead Property Tax Credit (MI-1040CR)
- ▶ Home Heating Credit (MI-1040CR-7)



Tax Year 2022 Filing Guidance

Before You Begin...

Gather these documents*:

- ▶ completed 1040-NR
- ▶ 1042-S (if applicable)
- ▶ W-2(s)
- ▶ 1099 (Misc, Interest, etc.)

** This is not an exhaustive list.*

2022 Tax Year Reminders

Tax Rate	4.25%
Personal Exemption Amount	\$5,000
2022 MI-1040	due April 18, 2023
Statute of Limitations	4 years
<i>You have 4 years from the return due date to claim a refund.</i>	

Michigan Personal Exemption Allowance

- ▶ Michigan legislation restored personal exemptions that were suspended at the federal level.
- ▶ \$5,000
 - prorated for a nonresident = Michigan source income divided by total income
 - calculated on the Michigan Schedule NR

Michigan Forms to File

- ▶ **MI-1040 – Michigan Individual Income Tax Return**
(all Michigan individual income tax returns require this form)
- ▶ **Schedule NR – Nonresident Schedule**
- ▶ **Schedule 1 – Additions & Subtractions**
- ▶ **Schedule W – Withholding Tax Schedule**

MI-1040

The Michigan tax return begins with AGI reported on your federal tax return:

- ▶ After you complete the federal 1040-NR
 - **line 11 equals line 10 of MI-1040**
- ▶ Federal 1040-NR-EZ is no longer available beginning tax year 2020

Michigan Schedules

Schedule NR	Schedule 1	Schedule W
<ul style="list-style-type: none">▶ Complete this form if you filed as a nonresident alien for federal tax purposes.▶ allocates income between Michigan and other states (if necessary)▶ prorates exemption allowance	<ul style="list-style-type: none">▶ Subtracts wages earned in other states▶ adds or subtracts income from AGI to determine Michigan taxable income▶ nonresidents can subtract scholarships and/or fellowships, if included in federal AGI	<ul style="list-style-type: none">▶ The information to complete this form is typically on your W-2 or 1099 form▶ reports State of Michigan income tax withholding information▶ do not mail W-2 or 1099 forms with Michigan tax returns



Nonresident Income Subject to Tax

- ▶ wages, salaries, commissions and other personal service income performed in Michigan
- ▶ business income in Michigan
- ▶ proceeds from the Michigan Lottery
- ▶ Michigan casino & horse race winnings

Tax Exempt Income in Michigan

for Nonresidents

- ▶ scholarship used for tuition, fees, books & supplies
- ▶ scholarship used for room & board
 - taxable by the IRS unless the income is exempt by treaty

**Common Federal Form 1042-S
(Code 16)**

Taxable Income in Michigan

unless exempt by Treaty

- ▶ Money received for teaching or research
- ▶ Money received as compensation during study and training

**Common Federal Form 1042-S
(Code 19 and Code 20)**

Michigan Filing Methods

Electronic Filing

- ▶ If you file a federal **1040-NR**, you can **e-file both** federal and Michigan tax returns.



Paper Filing

- ▶ Michigan Individual Income Tax Instruction Booklet
 - tax year specific
 - how to complete
 - how to assemble
 - available (as well as tax forms) at michigan.gov/taxes

Where to File

- ▶ For refund, credit, or zero-dollar tax returns, mail tax returns to:

**Michigan Department of Treasury
Lansing, MI 48956**


- ▶ If you owe tax, mail tax returns to:

**Michigan Department of Treasury
Lansing, MI 48929**



Frequently Asked Questions (FAQs)

- ▶ If I am a resident for federal tax purposes, am I also considered a Michigan resident for state tax purposes?
- ▶ Are Michigan nonresidents required to file a Michigan tax return if they only have scholarship income?
- ▶ Is there a filing requirement if all income is from another state and AGI is more than your exemption allowance?



FAQs (continued)

- ▶ Nonresident aliens must file Form 8843 – *Statement for Exempt Individuals & Individuals with a Medical Condition* federally even if they did not receive U.S. source income during the year. Does Michigan have a similar requirement?
- ▶ Is there a contact number for international students and scholars to call for more information?

***More frequently asked question
and answers provided to you in
the handout MI Tax FAQs***

Return Example

Live Demonstration

Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding **2022** OMB No. 1545-0096
Department of the Treasury Internal Revenue Service
Go to www.irs.gov/Form1042S for instructions and the latest information.
UNIQUE FORM IDENTIFIER ☐ AMENDED ☐ AMENDMENT NO. ☐

Form 1040-NR U.S. Nonresident Alien Income Tax Return **2022** OMB No. 1545-0074
Department of the Treasury—Internal Revenue Service
For the year Jan. 1–Dec. 31, 2022, or other tax year beginning on 2022, ending on 2022.
IRS Use Only—Do not write or staple in this space. See separate

Michigan Department of Treasury (Rev. 04-22), Page 1 of 2
Issued under authority of Public Act 281 of 1967, as amended.

2022 MICHIGAN Individual Income Tax Return MI-1040 Amended Return ☐
(Include Schedule AMD)

Return is due April 18, 2023. Type or print in blue or black ink.

1. Filer's First Name M.I. Last Name
If a Joint Return, Spouse's First Name M.I. Last Name
Home Address (Number, Street, or P.O. Box)
City or Town State ZIP Code
City, town, or post office Foreign country name

2. Filer's Full Social Security No. (Example: 123-45-6789)
3. Spouse's Full Social Security No. (Example: 123-45-6789)
4. School District Code (5 digits – see page 60)

5. **STATE CAMPAIGN FUND**
Check if you (and/or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund.
a. ☐ Filer
b. ☐ Spouse

6. **FARMERS, FISHERMEN, OR SEAFARERS**
☐ Check this box if 2/3 of your income is from farming, fishing, or seafaring.

7. **2022 FILING STATUS.** Check one.
a. ☐ Single
b. ☐ Married filing jointly
c. ☐ Married filing separately*
* If you check box "c," complete line 3 and enter spouse's full name below:

8. **2022 RESIDENCY STATUS.** Check all that apply.
a. ☐ Resident
b. ☐ Nonresident *
c. ☐ Part-Year Resident *
* If you check box "b" or "c," you must complete and include Schedule NR.

9. **EXEMPTIONS. NOTE:** If someone else can claim you as a dependent, check box 9e, enter 0 on line 9a and enter \$1,500 on line 9e (see instr.).

Digital Assets At any otherw
Dependents (see instructions):
If more than four dependents, see

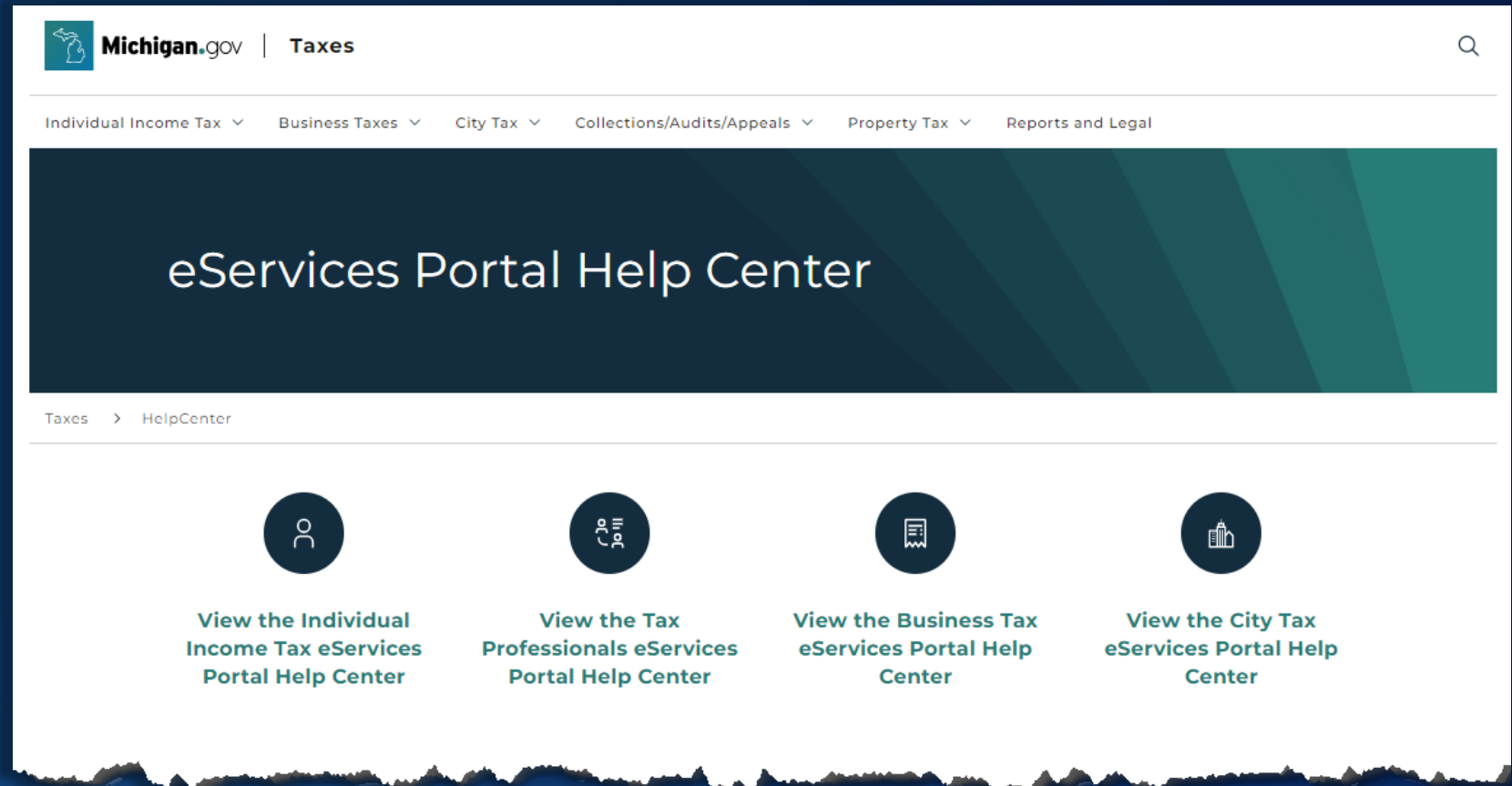


Treasury's Web Service Systems

Treasury eServices

A new suite of web service portals for taxpayers and service providers.

eServices Help Center



michigan.gov/taxes/helpcenter



Where's My Refund?



Guest Services

[Where's My Refund?](#)[Change My Address](#)[View My Estimated Tax Payments](#)[Estimated Tax Penalty and Interest Calculator](#)[more...](#)

Account Services

[Sign in](#) or [Create a New Account](#) to have access to all guest services plus view and respond to correspondence.



Inquiries

You can ask questions, review answers, request copies of letters, and [more...](#)

IIT eService

etreas.michigan.gov/iit

IIT eService Overview

- ▶ specific to individual income tax (IIT)
- ▶ used by the taxpayer to:
 - check refund status
 - inquire about their tax account
 - ask Treasury general questions
 - change their address
 - view their estimated tax payments
 - calculate penalty and interest
- ▶ if the taxpayer creates eService log in credentials, they can view correspondence sent by Treasury and respond electronically
- ▶ able to retrieve and review answers to their questions
- ▶ all inquiries routed to Treasury's Customer Contact division for handling



Session Wrap Up

Contact Us



***Treasury
Outreach***

- ▶ website: michigan.gov/treasuryoutreach
- ▶ email: TreasuryOutreach@michigan.gov

Contact Treasury

Business Taxes	517-636-6925
<i>i.e., Registration, Sales, Use, and Withholding (SUW) taxes, Marihuana Retailers Excise (MRE) tax, Corporate Income Tax (CIT), Michigan Business Tax (MBT), Flow-Through Entity (FTE) tax</i>	
Business Tax Technical	517-636-4230
City Taxes (Business) – Detroit.....	517-636-5829
City Taxes (Individual) – Detroit.....	517-636-5829
Collection Services Bureau	517-636-5265
Essential Services Assessment	517-241-0310
International Fuel Tax Agreement (IFTA)	517-636-4580
Individual Income Tax	517-636-4486

Contact Treasury

Miscellaneous Taxes	517-636-0515
<i>i.e., 911 Fee, Airport Parking, Bottle Deposit, Convention Facilities Tax, Health Insurance Claims Assessment (HICA), Health Maintenance Organization (HMO) Use Tax, Insurance Provider Assessment Act (IPAA), Severance Tax, and State Real Estate Transfer Tax (SRETT).</i>	
Motor Carrier Tax	517-636-4580
Motor Fuel	517-636-4600
Property Tax	517-335-3429
Taxpayer Advocate	517-636-4759
Tax Professionals Hotline	517-636-0616
Tobacco & Cigarette Taxes	517-636-4630
Tribal	517-241-2185
Unclaimed Property (Claimants)	517-636-5320
Unclaimed Property (Holders)	517-636-6940



Michigan Department of
TREASURY