Individual Income Tax for International Students

University of Michigan – Webinar

March 21 & 22, 2023
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](http://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.
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
<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>► if you filed the federal U.S. Nonresident Alien Income Tax Return (1040-NR) <strong>and</strong> you have taxable income in Michigan</td>
<td>► if AGI is <strong>less than</strong> your exemption allowance</td>
</tr>
<tr>
<td>► if federal Adjusted Gross Income (AGI) is greater than your Michigan personal exemption allowance</td>
<td>► <strong>except</strong> to claim a refund of taxes withheld</td>
</tr>
</tbody>
</table>
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)
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rate</td>
<td>4.25%</td>
</tr>
<tr>
<td>Personal Exemption Amount</td>
<td>$5,000</td>
</tr>
<tr>
<td>2022 MI-1040 due date</td>
<td>Due April 18, 2023</td>
</tr>
<tr>
<td>Statute of Limitations</td>
<td>4 years</td>
</tr>
</tbody>
</table>

You have 4 years from the return due date to claim a refund.
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
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
<table>
<thead>
<tr>
<th>Michigan Schedules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schedule NR</strong></td>
</tr>
<tr>
<td>▶ Complete this form if you filed as a nonresident alien for federal tax purposes.</td>
</tr>
<tr>
<td>▶ Allocates income between Michigan and other states (if necessary)</td>
</tr>
<tr>
<td>▶ Prorates exemption allowance</td>
</tr>
<tr>
<td><strong>Schedule 1</strong></td>
</tr>
<tr>
<td>▶ Subtracts wages earned in other states</td>
</tr>
<tr>
<td>▶ Adds or subtracts income from AGI to determine Michigan taxable income</td>
</tr>
<tr>
<td>▶ Nonresidents can subtract scholarships and/or fellowships, if included in federal AGI</td>
</tr>
<tr>
<td><strong>Schedule W</strong></td>
</tr>
<tr>
<td>▶ The information to complete this form is typically on your W-2 or 1099 form</td>
</tr>
<tr>
<td>▶ Reports State of Michigan income tax withholding information</td>
</tr>
<tr>
<td>▶ Do not mail W-2 or 1099 forms with Michigan tax returns</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Electronic Filing</th>
<th>Paper Filing</th>
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<tbody>
<tr>
<td>If you file a federal <strong>1040-NR</strong>, you can <strong>e-file both</strong> federal and Michigan</td>
<td>Michigan Individual Income Tax Instruction Booklet</td>
</tr>
<tr>
<td>tax returns.</td>
<td>▪ tax year specific</td>
</tr>
<tr>
<td></td>
<td>▪ how to complete</td>
</tr>
<tr>
<td></td>
<td>▪ how to assemble</td>
</tr>
<tr>
<td></td>
<td>▪ available (as well as tax forms) at <a href="michigan.gov/taxes">michigan.gov/taxes</a></td>
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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?
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**

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<table>
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<th><strong>Form 1042-S</strong></th>
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<tr>
<td>Foreign Person’s U.S. Source Income Subject to Withholding</td>
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<td>For the year Jan. 1—Dec. 31, 2022</td>
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### Filing Status
- **Single**
- **Married filing jointly**
- **Married filing separately**
- **Head of Household**

### 2022 Filing Status: Check one
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### Exemptions: State
- **State, local, or foreign income tax**
- **State, local, or foreign business income tax**
- **State, local, or foreign payroll tax**
- **Foreign country tax**

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### Amendement
- **2022 Amended Return**

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### Michigan Department of Treasury (Rev. 06-22), Page 1 of 2

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### Michigan Department of Treasury (Rev. 06-22), Page 2 of 2

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### Michigan Department of Treasury (Rev. 06-22), Page 2 of 2
Treasury’s Web Service Systems
Treasury eServices

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

► website: michigan.gov/treasuryoutreach
► email: TreasuryOutreach@michigan.gov
Contact Treasury

Business Taxes ................................................................. 517-636-6925
   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

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.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).

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