



IRS Nationwide Tax Forum | 2020

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

Learning Objectives

At the end of this course, you will be able to:

- Recognize 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)
- Describe changes to the Form 1040-NR due to the Tax Cuts and Jobs Act (TCJA)

Nonresident Alien Individual Taxation

- ❖ Nonresident alien individuals (NRAs) are generally taxed on 2 categories of income:
 - U.S. source fixed or determinable, annual or periodical (FDAP) income (that is not effectively connected with a U.S. trade or business) – subject to U.S. tax at a 30% rate
 - Effectively connected income (ECI) – taxable at graduated rates on a net basis

Nonresident Alien Individual Taxation (cont'd)

- ❖ 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 U.S. Trade or Business (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)

Form 1040-NR Filing Requirements

- ❖ NRAs engaged in a U.S. trade or business even if no income from that trade or business or no U.S. source income, or if the income 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
- ❖ 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.

Form 1040-NR – Filing Status and Dependents

Form 1040-NR Department of the Treasury Internal Revenue Service	U.S. Nonresident Alien Income Tax Return ▶ Go to www.irs.gov/Form1040NR for instructions and the latest information. For the year January 1–December 31, 2019, or other tax year	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2019</div>																																
beginning _____, 2019, and ending _____, 20____																																		
Please print or type	Your first name and middle initial _____ Last name _____		Identifying number (see instructions) _____																															
	Present home address (number and street or rural route). If you have a P.O. box, see instructions. _____ Apt. no. _____		Check if: <input type="checkbox"/> Individual <input type="checkbox"/> Estate or Trust																															
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below. See instructions. _____																																	
	Foreign country name _____	Foreign province/state/county _____	Foreign postal code _____																															
Filing Status Check only one box.	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> 1 <input type="checkbox"/> Reserved 2 <input type="checkbox"/> Single nonresident alien 3 <input type="checkbox"/> Reserved </td> <td style="width: 50%; border: none;"> 4 <input type="checkbox"/> Reserved 5 <input type="checkbox"/> Married nonresident alien 6 <input type="checkbox"/> Qualifying widow(er) (see instructions) </td> </tr> </table>			1 <input type="checkbox"/> Reserved 2 <input type="checkbox"/> Single nonresident alien 3 <input type="checkbox"/> Reserved	4 <input type="checkbox"/> Reserved 5 <input type="checkbox"/> Married nonresident alien 6 <input type="checkbox"/> Qualifying widow(er) (see instructions)																													
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Child's name ▶ _____																																		
Dependents If more than four dependents, see instructions and check here. <input type="checkbox"/>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">7 Dependents: (see instructions)</th> <th style="width: 15%;">(2) Dependent's identifying number</th> <th style="width: 15%;">(3) Dependent's relationship to you</th> <th colspan="2" style="width: 45%;">(4) <input checked="" type="checkbox"/> if qualifies for (see instr.):</th> </tr> <tr> <th>(1) First name Last name</th> <th></th> <th></th> <th>Child tax credit</th> <th>Credit for other dependents</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table>				7 Dependents: (see instructions)	(2) Dependent's identifying number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instr.):		(1) First name Last name			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"/>
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Filing Status and Dependents

- ❖ 3 filing statuses
 - Single nonresident alien, Married nonresident alien, and Qualifying widow(er)
 - Boxes 1, 3 and 4 are greyed out because the deduction for personal exemptions was suspended by the 2017 Tax Cuts and Jobs Act, P.L. 115-97 (TCJA).
- ❖ Dependents
 - Dependent information is needed to claim tax credits available to certain NRAs.

Form 1040-NR – Income Effectively Connected with a U.S. Trade/Business

Income Effectively Connected With U.S. Trade/Business Attach Form(s) W-2, 1042-S, SSA-1042S, RRB-1042S, and 8288-A here. Also attach Form(s) 1099-R if tax was withheld.	8	Wages, salaries, tips, etc. Attach Form(s) W-2	8	
	9a	Taxable interest	9a	
		b Tax-exempt interest. Do not include on line 9a	9b	
	10a	Ordinary dividends	10a	
		b Qualified dividends (see instructions)	10b	
	11	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	11	
	12	Scholarship and fellowship grants. Attach Form(s) 1042-S or required statement (see instructions)	12	
	13	Business income or (loss). Attach Schedule C (Form 1040 or 1040-SR)	13	
	14	Capital gain or (loss). Attach Schedule D (Form 1040 or 1040-SR) if required. If not required, check here <input type="checkbox"/>	14	
	15	Other gains or (losses). Attach Form 4797	15	
		16a IRA distributions	16a	16b Taxable amount (see instr.)
		17a Pensions and annuities	17a	17b Taxable amount (see instr.)
	18	Rental real estate, royalties, partnerships, trusts, etc. Attach Schedule E (Form 1040 or 1040-SR)	18	
	19	Farm income or (loss). Attach Schedule F (Form 1040 or 1040-SR)	19	
	20	Unemployment compensation	20	
	21	Other income. List type and amount (see instructions) _____	21	
		22 Total income exempt by a treaty from page 5, Schedule OI, item L (1(e))	22	
	23	Combine the amounts in the far right column for lines 8 through 21. This is your total effectively connected income ▶	23	

Income Effectively Connected with a U.S. Trade/Business

- ❖ Line 8 – Wages, salaries, tips
 - Does not include amounts exempted under a tax treaty. These amounts should be included on Line 22 and reflected on item L of Schedule OI on page 5.
- ❖ Line 22 – 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.
- ❖ Generally, wages paid to an NRA which are exempt under an income tax treaty are reported 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.
 - Form 8233

Income Effectively Connected with a U.S. Trade/Business (cont'd)

- ❖ Lines 9 and 10 – Interest and Dividends
 - Amounts that are effectively connected with a USTB are reported on these lines.
 - Must pass either Asset Use or Business Activities test
- ❖ Line 13 – Business income or (loss)
 - Effectively connected income and expenses from a sole proprietorship are reported on and carried from Schedule C.
- ❖ Line 14 – Capital gain or (loss)
 - Capital gains/losses that are effectively connected with a USTB are reported on and carried from Schedule D and Form 8949.
 - Must pass either Asset Use or Business Activities test
- ❖ Line 15 – Other gains or (losses)
 - Gains/Losses from the sale of assets used in a USTB are reported on and carried from Form 4797.

Income Effectively Connected with a U.S. Trade/Business (cont'd)

- ❖ Line 12 – Scholarship and fellowship grants
 - Taxable amounts are reported 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 22 and reflected on item L of Schedule OI on page 5.
 - Amounts exempt under an income tax treaty are reported on Form 1042-S using Exemption Code 04.
 - Form W-8BEN

Income Effectively Connected with a U.S. Trade/Business (cont'd)

- ❖ Line 16 – IRA distributions
 - Total distributions and taxable amounts from IRAs are reported on Form 1099-R.
- ❖ Line 17 – Pensions and annuities
 - Distributions from pensions and annuities are reported either on Form 1042-S or 1099-R.
 - Distributions that are effectively connected with a USTB are included on this line.
 - Distributions that are not effectively connected income 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.

Income Effectively Connected with a U.S. Trade/Business (cont'd)

- ❖ Line 18 – Rental real estate, partnerships, trusts, etc.
 - Amounts are reported on and carried from Schedule E.
 - Include on this line 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 are considered effectively connected with a USTB and therefore reported on Schedule D and/or Form 4797.
 - Amounts from a Schedule K-1 should be reviewed to determine whether they are considered ECI or non-ECI.
- ❖ Line 21 – Other income
 - Includes any other income effectively connected with a USTB that is not reported elsewhere on the return or other schedules.

Form 1040-NR – Adjusted Gross Income

Adjusted Gross Income	24	Educator expenses (see instructions)	24			
	25	Health savings account deduction. Attach Form 8889	25			
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26			
	27	Deductible part of self-employment tax. Attach Schedule SE (Form 1040 or 1040-SR)	27			
	28	Self-employed SEP, SIMPLE, and qualified plans	28			
	29	Self-employed health insurance deduction (see instructions)	29			
	30	Penalty on early withdrawal of savings	30			
	31	Scholarship and fellowship grants excluded	31			
	32	IRA deduction (see instructions)	32			
	33	Student loan interest deduction (see instructions)	33			
	34	Add lines 24 through 33		34		
	35	Adjusted Gross Income. Subtract line 34 from line 23 ▶		35		

Form 1040-NR – Adjusted Gross Income (cont'd)

- ❖ Line 26 – Moving expenses for members of the Armed Forces
 - Under pre-TCJA rules, NRAs may deduct unreimbursed moving expenses for job location if requirements are met.
 - Under post-TCJA rules, the deduction is suspended and only allowed to members of the U.S. Armed Forces on active duty.
- ❖ Line 33 – Student loan interest deduction
 - Rules are the same for both U.S. taxpayers and NRAs
 - Eligible education institutions include institutions that are located outside the U.S. that are eligible to participate in the U.S. Department of Education's Federal Student Aid programs.

Form 1040-NR – Tax and Credits, Other Taxes

Tax and Credits	36	Reserved for future use	36	
	37	Itemized deductions from page 3, Schedule A, line 8	37	
	38	Qualified business income deduction. Attach Form 8995 or Form 8995-A	38	
	39	Exemptions for estates and trusts only (see instructions)	39	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions.

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Page **2**

Tax and Credits <i>(continued)</i>	40	Add lines 37 through 39	40	
	41	Taxable income. Subtract line 40 from line 35. If zero or less, enter -0-	41	
	42	Tax (see instr.). Check if any is from Form(s): a <input type="checkbox"/> 8814 b <input type="checkbox"/> 4972 c <input type="checkbox"/>	42	
	43	Alternative minimum tax (see instructions). Attach Form 6251	43	
	44	Excess advance premium tax credit repayment. Attach Form 8962	44	
	45	Add lines 42, 43, and 44 ▶	45	
	46	Foreign tax credit. Attach Form 1116 if required	46	
	47	Credit for child and dependent care expenses. Attach Form 2441	47	
	48	Retirement savings contributions credit. Attach Form 8880	48	
	49	Child tax credit and credit for other dependents (see instructions)	49	
	50	Residential energy credits. Attach Form 5695	50	
	51	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	51	
	52	Add lines 46 through 51. These are your total credits	52	
53	Subtract line 52 from line 45. If zero or less, enter -0- ▶	53		

Form 1040-NR – Tax and Credits, Other Taxes (cont'd)

Other Taxes	54 Tax on income not effectively connected with a U.S. trade or business from page 4, Schedule NEC, line 15	54	
	55 Self-employment tax. Attach Schedule SE (Form 1040 or 1040-SR)	55	
	56 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	56	
	57 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . .	57	
	58 Transportation tax (see instructions)	58	
	59a Household employment taxes from Schedule H (Form 1040 or 1040-SR)	59a	
	b Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required . .	59b	
	60 Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Instructions; enter code(s) _____	60	
61 Total tax. Add lines 53 through 60 ▶	61		

Tax Credits, Other Taxes

- ❖ Line 46 – Foreign tax credit
 - To claim credit:
 - Report income from foreign sources on Form 1040-NR, and
 - Paid or owe foreign tax on that income
- ❖ Line 49 – Child tax credit and credit for other dependents
 - Only U.S. nationals, residents of Canada, Mexico, or South Korea, and certain residents of India can claim credit.
 - The person claimed must be U.S. citizen, national, or resident alien.
- ❖ Line 54 – Tax on income not effectively connected with a USTB
 - Amounts from completed Schedule NEC
- ❖ Line 55 – Self-employment tax
 - NRAs are not subject to SE tax unless tax is part of a totalization agreement.

Form 1040-NR – Payments

Payments			
62	Federal income tax withheld from:		
a	Form(s) W-2 and 1099	62a	
b	Form(s) 8805	62b	
c	Form(s) 8288-A	62c	
d	Form(s) 1042-S	62d	
63	2019 estimated tax payments and amount applied from 2018 return	63	
64	Additional child tax credit. Attach Schedule 8812	64	
65	Net premium tax credit. Attach Form 8962	65	
66	Amount paid with request for extension to file (see instructions)	66	
67	Excess social security and tier 1 RRTA tax withheld (see instructions)	67	
68	Credit for federal tax on fuels. Attach Form 4136	68	
69	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	69	
70	Credit for amount paid with Form 1040-C	70	
71	Add lines 62a through 70. These are your total payments ▶	71	

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

Form 1040-NR – Schedule A

Form 1040-NR (2019)		Page 3
Schedule A—Itemized Deductions (see instructions)		07
Taxes You Paid		
1	State and local income taxes	
a	State and local income taxes	1a
b	Enter the smaller of line 1a and \$10,000 (\$5,000 if box 5 is checked)	1b
Gifts to U.S. Charities		
2	Gifts by cash or check. If you made any gift of \$250 or more, see instructions	2
3	Other than by cash or check. If you made any gift of \$250 or more, see instructions. Individuals must attach Form 8283 if line 3 is over \$500	3
4	Carryover from prior year	4
5	Add lines 2 through 4	5
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 37	8

Schedule A – Itemized Deductions

- ❖ Line 1 – State and local income taxes
 - Post-TCJA – Deductibility capped at \$10,000, or \$5,000 if married NRA
- ❖ Line 6 – Casualty and theft loss(es)
 - Post-TCJA – Personal casualty and theft losses are generally only deductible if attributable to a federally declared disaster.
- ❖ Post-TCJA – All miscellaneous itemized deductions subject to the 2% floor are suspended.

Form 1040-NR – Schedule NEC

Form 1040-NR (2019)		Page 4			
Schedule NEC – Tax on Income Not Effectively Connected With a U.S. Trade or Business (see instructions)					
Nature of income		Enter amount of income under the appropriate rate of tax (see instructions)			
		(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 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 not effectively connected with a USTB are reported on these lines.

Form 1040-NR – Schedule NEC (cont'd)

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

- ❖ 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.
- ❖ Line 10 – Includes all taxable gambling winnings and gambling losses* to the extent of winnings for residents of Canada who are not in a USTB of gambling.
- ❖ Line 11 – NRAs (other than a residents of Canada) who are not in a USTB of gambling must report full amount of taxable gambling winnings. Gambling losses are not allowed.

* Note: Taxable gambling winnings and losses for NRAs do not include winnings or losses from blackjack, baccarat, craps, roulette or big-6 wheel.

Form 1040-NR – Schedule NEC (cont'd)

Capital Gains and Losses From Sales or Exchanges of Property								
Enter only the capital gains and losses from property sales or exchanges that are from sources within the United States and not effectively connected with a U.S. business. Do not include a gain or loss on disposing of a U.S. real property interest; report these gains and losses on Schedule D (Form 1040 or 1040-SR). Report property sales or exchanges that are effectively connected with a U.S. business on Schedule D (Form 1040 or 1040-SR), Form 4797, or both.	16	(a) Kind of property and description (if necessary, attach statement of descriptive details not shown below)	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Sales price	(e) Cost or other basis	(f) LOSS If (e) is more than (d), subtract (d) from (e)	(g) GAIN If (d) is more than (e), subtract (e) from (d)
						17	()	
17 Add columns (f) and (g) of line 16								
18 Capital gain. Combine columns (f) and (g) of line 17. Enter the net gain here and on line 9 above (if a loss, enter -0-)							▶	18

Form 1040-NR (2019)

- ❖ U.S. personal property capital gains are taxed at a flat 30% or lower tax treaty rate if the NRA was in the U.S. 183 days or more during the year, and the gains are not effectively connected with a USTB.
- ❖ Capital losses allocable to U.S. sources that are not directly related to a USTB may be used to offset any capital gains that are not effectively connected with a USTB.
 - Losses in excess of gains are not allowed.

Form 1040-NR – Schedule OI

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Schedule OI—Other Information (see instructions)
 Answer all questions

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? Yes No

D Were you ever:

1. A U.S. citizen? Yes No

2. 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 did not 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? Yes No

If you answered "Yes," indicate the date and nature of the change. ► _____

- ❖ Item B – If claiming a treaty benefit, country listed here should match appropriate treaty in which the NRA is claiming a benefit.
- ❖ Item E – Type of visa held is needed to determine whether or not NRA is an “exempt” individual for purposes of the Substantial Presence Test (SPT).

Form 1040-NR – Schedule OI (cont'd)

G List all dates you entered and left the United States during 2019. See instructions.

Note: If you are 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:
 2017 _____, 2018 _____, and 2019 _____.

- ❖ Item G and H – These items details days of presence in the U.S., which are important in calculating whether or not 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.

Form 1040-NR – Schedule OI (cont'd)

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 22. Do not enter it on line 8 or line 12 ▶			

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 ▶

Form **1040-NR** (2019)

- ❖ 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

Comprehensive Example - Facts

- ❖ NRA is a resident of China attending graduate school in U.S. on an F-1 student visa since Sept. 2017.
- ❖ 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
 - 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

Comprehensive Example – Facts (cont'd)

- ❖ 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 homeowners 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

Comprehensive Example – Form 1040-NR, Page 1

Income Effectively Connected With U.S. Trade/Business Attach Form(s) W-2, 1042-S, SSA-1042S, RRB-1042S, and 8288-A here. Also attach Form(s) 1099-R if tax was withheld.	8	Wages, salaries, tips, etc. Attach Form(s) W-2	8	30,000
	9a	Taxable interest	9a	
		b Tax-exempt interest. Do not include on line 9a	9b	
	10a	Ordinary dividends	10a	
		b Qualified dividends (see instructions)	10b	
	11	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	11	300
	12	Scholarship and fellowship grants. Attach Form(s) 1042-S or required statement (see instructions)	12	
	13	Business income or (loss). Attach Schedule C (Form 1040 or 1040-SR)	13	
	14	Capital gain or (loss). Attach Schedule D (Form 1040 or 1040-SR) if required. If not required, check here <input type="checkbox"/>	14	
	15	Other gains or (losses). Attach Form 4797	15	
	16a	IRA distributions	16a	
			16b	Taxable amount (see instr.)
	17a	Pensions and annuities	17a	
			17b	Taxable amount (see instr.)
	18	Rental real estate, royalties, partnerships, trusts, etc. Attach Schedule E (Form 1040 or 1040-SR)	18	7,800
	19	Farm income or (loss). Attach Schedule F (Form 1040 or 1040-SR)	19	
	20	Unemployment compensation	20	
	21	Other income. List type and amount (see instructions)	21	
	22	Total income exempt by a treaty from page 5, Schedule OI, item L (1(e))	22	5,000
	23	Combine the amounts in the far right column for lines 8 through 21. This is your total effectively connected income	23	38,100

Comprehensive Example – Schedule E

Income:	Properties:	A	B	C
3 Rents received	3	12,000		
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions.	8			
9 Insurance	9	400		
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12			
13 Other interest.	13			
14 Repairs.	14			
15 Supplies	15			
16 Taxes	16	3,000		
17 Utilities.	17	500		
18 Depreciation expense or depletion	18			
19 Other (list) ► HOA Dues	19	300		
20 Total expenses. Add lines 5 through 19	20	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 6198	21	7,800		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()
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	24			7,800

Comprehensive Example – Form 1040-NR, Page 2

Tax and Credits	36	Reserved for future use	36	
	37	Itemized deductions from page 3, Schedule A, line 8	37	2,000
	38	Qualified business income deduction. Attach Form 8995 or Form 8995-A	38	
	39	Exemptions for estates and trusts only (see instructions)	39	
<div style="display: flex; justify-content: space-between; font-size: small;"> For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Form 1040-NR (2019) Cat. No. 11364D Form 1040-NR (2019) </div>				
Page 2				
Tax and Credits <i>(continued)</i>	40	Add lines 37 through 39	40	2,000
	41	Taxable income. Subtract line 40 from line 35. If zero or less, enter -0-	41	36,100
	42	Tax (see instr.). Check if any is from Form(s): a <input type="checkbox"/> 8814 b <input type="checkbox"/> 4972 c <input type="checkbox"/>	42	4,109
	43	Alternative minimum tax (see instructions). Attach Form 6251	43	
	44	Excess advance premium tax credit repayment. Attach Form 8962	44	
	45	Add lines 42, 43, and 44	45	
	46	Foreign tax credit. Attach Form 1116 if required	46	
	47	Credit for child and dependent care expenses. Attach Form 2441	47	
	48	Retirement savings contributions credit. Attach Form 8880	48	
	49	Child tax credit and credit for other dependents (see instructions)	49	
	50	Residential energy credits. Attach Form 5695	50	
	51	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	51	
	52	Add lines 46 through 51. These are your total credits	52	
53	Subtract line 52 from line 45. If zero or less, enter -0-	53	4,109	
Other Taxes	54	Tax on income not effectively connected with a U.S. trade or business from page 4, Schedule NEC, line 15	54	50
	55	Self-employment tax. Attach Schedule SE (Form 1040 or 1040-SR)	55	
	56	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	56	
	57	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	57	
	58	Transportation tax (see instructions)	58	
	59a	Household employment taxes from Schedule H (Form 1040 or 1040-SR)	59a	
	59b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	59b	
	60	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Instructions; enter code(s)	60	
61	Total tax. Add lines 53 through 60	61	4,159	

Comprehensive Example – Form 1040-NR, Page 2 (cont'd)

Payments	62 Federal income tax withheld from:																			
	a Form(s) W-2 and 1099	62a	4,200																	
	b Form(s) 8805	62b																		
	c Form(s) 8288-A	62c																		
	d Form(s) 1042-S	62d	150																	
	63 2019 estimated tax payments and amount applied from 2018 return	63																		
	64 Additional child tax credit. Attach Schedule 8812	64																		
	65 Net premium tax credit. Attach Form 8962	65																		
	66 Amount paid with request for extension to file (see instructions)	66																		
	67 Excess social security and tier 1 RRTA tax withheld (see instructions)	67																		
	68 Credit for federal tax on fuels. Attach Form 4136	68																		
69 Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/> _____	69																			
70 Credit for amount paid with Form 1040-C	70																			
71 Add lines 62a through 70. These are your total payments ▶	71	4,350																		
Refund	72 If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid	72	191																	
	73a Amount of line 72 you want refunded to you . If Form 8888 is attached, check here . . . ▶ <input type="checkbox"/>	73a	191																	
	b Routing number <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td></tr></table> ▶ c Type: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings	1	1	1	1	1	1	1	1	1										
	1	1	1	1	1	1	1	1	1											
	d Account number <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
e If you want your refund check mailed to an address outside the United States not shown on page 1, enter it here. _____																				
74 Amount of line 72 you want applied to your 2020 estimated tax ▶	74																			

Direct deposit?
See instructions.

Comprehensive Example – Schedule A

Schedule A – Itemized Deductions (see instructions)		07	
Taxes You Paid	1 State and local income taxes		
	a State and local income taxes	1a	1,200
	b Enter the smaller of line 1a and \$10,000 (\$5,000 if box 5 is checked)	1b	1,200
Gifts to U.S. Charities	2 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	2	800
Caution: If you made a gift and received a benefit in return, see instructions.	3 Other than by cash or check. If you made any gift of \$250 or more, see instructions. Individuals must attach Form 8283 if line 3 is 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 37	8	2,000

Comprehensive Example – Schedule NEC

Schedule NEC – Tax on Income Not Effectively Connected With a U.S. Trade or Business (see instructions)		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	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 T.V. 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 <input style="width: 100px;" type="text"/>				
b	Losses <input style="width: 100px;" type="text"/>				
11	Gambling winnings—Residents of countries other than Canada. Note: Losses not allowed				
12	Other (specify) ▶ <input style="width: 300px;" type="text"/>				
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 54 ▶				50

Comprehensive Example – Schedule OI

Form 1040-NR (2019)

Page **5**

Schedule OI—Other Information (see instructions)

Answer all questions

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:

1. A U.S. citizen? Yes No
2. 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 did not 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 2019. See instructions.
Note: If you are 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:
 2017 **250**, 2018 **350**, and 2019 **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 ▶ **2018**

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

Comprehensive Example – Schedule OI (cont'd)

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)	17	5,000
(e) Total. Enter this amount on Form 1040-NR, line 22. Do not enter it on line 8 or line 12 . . . ▶			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:
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 ▶

IRS Publications and Additional Resources

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