

**U.S. Estimated Tax for Nonresident
Alien Individuals****1998****Purpose of This Package**

If you are a nonresident alien, use this package to figure and pay your estimated tax. Estimated tax is the method used to pay tax on income that is not subject to withholding.

Do not use the payment vouchers in this package to notify the IRS of a **change of address**. Instead, use **Form 8822**, Change of Address.

You can order Form 8822 and other forms and publications by writing to the Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107, U.S.A. Or, if you have a computer and modem, use the World Wide Web and connect to www.irs.ustreas.gov. On the Internet, telnet to [iris.irs.ustreas.gov](telnet://iris.irs.ustreas.gov) or, for file transfer protocol services, connect to [ftp.irs.ustreas.gov](ftp://ftp.irs.ustreas.gov).

Who Must Make Estimated Tax Payments

Generally, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 1998 (after subtracting your withholding and credits) and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 1998 tax return, or
2. The tax shown on your 1997 tax return.

For this purpose, include household employment taxes when figuring the tax shown on your tax return, but **only** if **either** of the following is true:

- You will have Federal income tax withheld from wages, pensions, annuities, or other income effectively connected with a U.S. trade or business, **or**
- You would be required to make estimated tax payments to avoid a penalty even if you did not include household employment taxes when figuring your estimated tax.

Tax Law Changes Effective for 1998

Use your 1997 tax return as a guide in figuring your 1998 estimated tax, but be sure to consider the changes noted in this section. For more information on changes that may affect your 1998 estimated tax, see **Pub. 553**, Highlights of 1997 Tax Changes.

Estimated tax payments of household employment taxes. Beginning in 1998, you must **include** household employment taxes when figuring your estimated tax payments if **either** of the following applies for the year:

- You will have Federal income tax withheld from wages, pensions, annuities, or other income effectively connected with a U.S. trade or business, **or**
- You would be required to make estimated tax payments (to avoid a penalty) even if you **did not** include household employment taxes when figuring your estimated tax.

Increase in amount of tax exempt from estimated tax requirements. Beginning in 1998, the requirement to make estimated tax payments (to avoid a penalty) will not apply unless the tax you owe, after subtracting withholding and other credits, is at least \$1,000.

Modification of estimated tax safe harbor for some taxpayers. For 1998, the estimated tax safe harbor that is based on the tax shown on the prior year tax return is the same for all taxpayers (except for farmers and fishermen), regardless of adjusted gross income (AGI). That safe harbor is 100% of the tax shown on the 1997 tax return.

Child tax credit. For 1998, you may be entitled to a \$400 credit for each dependent child that you may claim on your tax return who is under age 17 on December 31, 1998. However, for purposes of this credit, **the dependent child must be a U.S. citizen, national, or resident.** The credit is subject to limits based on your tax, and a phaseout, which begins when your modified AGI exceeds \$55,000 if married filing separately (\$75,000 for qualifying widow(er)). Above this level, the credit is reduced by \$50 for each \$1,000 (or fraction thereof) of modified AGI.

Student loan interest. You may be allowed to deduct up to \$1,000 for interest due after 1997 that is paid during 1998 on a qualified higher education loan you used to pay for education expenses for yourself or for a dependent that you may claim on your tax return. A loan made by a related person is **not** a qualified loan. The deduction is allowed in arriving at AGI (i.e., you do not have to itemize deductions to claim it). The student must be enrolled in a degree, certificate, or other program leading to a recognized credential at an eligible U.S. educational institution and must carry at least one-half of a normal full-time work load. The deduction is allowed only during the first 60 months in which interest payments are required.

You **cannot** take this deduction if you are married filing a separate return.

IRA deduction increased or restored for some people covered by retirement plans. The income limits for claiming an IRA deduction for 1998 have been increased if you are covered by a retirement plan. Under the new rules, the deduction is phased out ratably over a range that:

- Begins when your modified AGI exceeds \$30,000 (\$50,000 if filing as a qualifying widow(er)), and
- Ends at \$40,000 (\$60,000 if filing as a qualifying widow(er)).

Distributions from IRAs to pay for qualified higher education expenses or "first-time homebuyer" expenses. Beginning with distributions made after 1997, the 10% tax on an early distribution from an IRA will not apply if you use the distribution to pay for either of the following:

- Qualified higher education expenses for academic periods beginning after 1997 for yourself or for a child, grandchild, stepchild, or step-grandchild (that you may otherwise claim as a dependent on your tax return) for attendance at an accredited U.S. institution of higher education.
- Certain expenses incurred to buy, build, or rebuild a "first" home that is your main home, your spouse's main home, or the main home of a child, grandchild, or ancestor of yours or your spouse's. Your main home is where you live most of the time. Distributions used for this purpose are subject to a lifetime limit of \$10,000. In most cases, a home is considered your "first" home if you had no present ownership in a main home during the 2-year period ending on the date you acquired your new home.

Section 179 expense deduction increased. For 1998, the deduction to expense certain property under section 179 generally has been increased to \$18,500.

Self-employed health insurance deduction increased. For 1998, the self-employed health insurance deduction is increased to 45% of health insurance expenses.

Matching contributions to 401(k) plans of self-employed individuals. Generally, matching contributions made for tax years after 1997 to 401(k) plans of self-employed persons are not treated as elective employer contributions and therefore are not subject to the \$10,000 annual limit on elective contributions.

Welfare-to-work credit. Employers that pay wages to long-term family assistance recipients may qualify for the welfare-to-work credit. This new credit is based on wages paid to qualified individuals who begin work after December 31, 1997. For more details, see **Form 8861**, Welfare-to-Work Credit.

To Figure Your Estimated Tax, Use:

- The **1998 Estimated Tax Worksheet** on page 3.
- The instructions below for the worksheet on page 3.
- The **1998 Tax Rate Schedule** on page 4 for your filing status.*
- Your 1997 tax return and instructions as a guide to figuring your income, deductions, and credits.

If you receive your income unevenly throughout the year (e.g., you operate your business on a seasonal basis), you may be able to lower or eliminate the amount of your required estimated tax payment for one or more periods by using the annualized income installment method. See **Pub. 505**, Tax Withholding and Estimated Tax, for details.

*If you are married, you must generally use Tax Rate Schedule Y. For exceptions, see **Pub. 519**, U.S. Tax Guide for Aliens.

Instructions for Worksheet on Page 3

Line 7—Additional Taxes. Enter the additional taxes from **Form 4972**, Tax on Lump-Sum Distributions, or **Form 8814**, Parents' Election To Report Child's Interest and Dividends.

Line 9—Credits. See the 1997 Form 1040NR, lines 39 through 43, and the related instructions.

Line 11—Other Taxes. Except as noted below, enter any other taxes, such as alternative minimum tax, tax on accumulation distribution of trusts, tax on a distribution from an MSA, and the tax on early distributions from (a) a qualified retirement plan (including your IRA), (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.

Include household employment taxes on line 12 if **either** of the following is true:

- You will have Federal Income tax withheld from wages, pensions, annuities, or other income effectively connected with a U.S. trade or business, **or**
- You would be required to make estimated tax payments (to avoid a penalty) even if you did not include household employment taxes when figuring your estimated tax.

Do not include tax on recapture of a Federal mortgage subsidy, social security and Medicare tax on unreported tip income, or uncollected employee social security and Medicare or RRTA tax on tips or group-term life insurance. These taxes are not required to be paid until your income tax return is due (not including extensions).

Payment Due Dates

If you have wages subject to U.S. income tax withholding, you may pay all of your estimated tax by April 15, 1998, or in four equal amounts by the dates shown below:

- 1st payment April 15, 1998
- 2nd payment June 15, 1998
- 3rd payment Sept. 15, 1998
- 4th payment Jan. 15, 1999*

If you **do not** have wages subject to U.S. income tax withholding, you may pay all of your estimated tax by June 15, 1998, or you may pay it in three installments. If you pay the tax

in installments, 1/2 is due by June 15, 1998, 1/4 is due by September 15, 1998, and 1/4 by January 15, 1999.*

*You do not have to make the payment due January 15, 1999 if you file your 1998 Form 1040NR or 1040NR-EZ by February 1, 1999, **AND** pay the entire balance due with your return.

We do not send notices reminding you to make your estimated tax payments. You **must** make each payment by the due date.

Even if you are not required to make an estimated tax payment by the first payment due date, you may meet the requirements to make estimated tax payments later. In this case, you should figure the amount of your estimated tax payments by using the annualized income installment method, as explained in Pub. 505. Although your payment due dates will be the same, the payment amounts will vary based on your income, deductions, additional taxes, and credits for the months ending before each payment due date. As a result, this method may allow you to skip or lower the amount due for one or more payments. If you use the annualized income installment method, be sure to file **Form 2210**, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, with your 1998 tax return, even if no penalty is owed.

Fiscal year taxpayers. Due dates for fiscal year taxpayers are the 15th day of the 4th (if applicable), 6th, and 9th months of your current fiscal year, and the 1st month of the following fiscal year. If any date falls on a Saturday, Sunday, or legal holiday, use the next business day.

Amending Estimated Tax Payments

To change or amend your estimated payments, refigure your total estimated payments using the worksheet on page 3. Then use the worksheets under **Amended estimated tax** in Pub. 505 to figure the payment due for each remaining payment period.

When a Penalty Is Applied

In some cases, you may owe a penalty when you file your return. The penalty is imposed on each underpayment for the number of days it remains unpaid. A penalty may be applied if you did not pay enough estimated tax for the year, or you did not make the payments on time or in the required amount. A penalty may apply even if you have an overpayment on your tax return. The penalty may be waived under certain conditions. See Pub. 505 for details.

How To Complete and Use the Payment Voucher

There is a separate payment voucher for each due date. The due date is shown in the upper right corner. Please be sure you use the voucher with the correct due date for each payment you make. To complete your voucher:

- Type or print your name, address, and social security number (SSN) in the space provided on the voucher. If you do not have, and are not eligible to obtain, a social security number, enter your IRS-issued individual taxpayer identification number (ITIN). To apply for an ITIN, get **Form W-7**, Application for IRS Individual Taxpayer Identification Number.

(Continued on page 4)

Record of Estimated Tax Payments

(see above for payment due dates)

Payment number	(a) Date	(b) Check or money order number	(c) Amount paid	(d) 1997 overpayment credit applied	(e) Total amount paid and credited (add (c) and (d))
1					
2					
3					
4					
Total					

1998 Estimated Tax Worksheet—For Nonresident Alien Individuals (keep for your records)

<p>1 Total expected 1998 income effectively connected with a U.S. trade or business. Caution: If this amount is over \$124,500 (\$62,250 if married filing separately), your itemized deductions and your deduction for exemptions may be limited. See Pub. 505 for details</p>	1	
<p>2 Enter itemized deductions (see the 1997 Form 1040NR or 1040NR-EZ instructions)</p>	2	
<p>3 Subtract line 2 from line 1</p>	3	
<p>4 Exemptions. Multiply \$2,700 by the number of exemptions claimed. (Residents of Canada, India, Japan, Republic of Korea, Mexico, and U.S. nationals, see the 1997 Form 1040NR or 1040NR-EZ instructions.)</p>	4	
<p>5 Subtract line 4 from line 3</p>	5	
<p>6 Tax. Figure your tax on the amount on line 5 by using the 1998 Tax Rate Schedules on page 4. DO NOT use the Tax Table or Tax Rate Schedules in the 1997 Form 1040NR or Form 1040NR-EZ instructions. Caution: If you have a net capital gain, see Pub. 505 to figure the tax</p>	6	
<p>7 Additional taxes (see instructions)</p>	7	
<p>8 Add lines 6 and 7</p>	8	
<p>9 Credits (see instructions). Do not include any income tax withholding on this line.</p>	9	
<p>10 Subtract line 9 from line 8. Enter the result, but not less than zero</p>	10	
<p>11 Other taxes (see instructions)</p>	11	
<p>12 Estimated 1998 tax on income effectively connected with a U.S. trade or business (add lines 10 and 11)</p>	12	
<p>13 Total expected 1998 income not effectively connected with a U.S. trade or business . 13</p>	13	
<p>14 Multiply line 13 by 30% or lower treaty rate (see the 1997 Form 1040NR instructions)</p>	14	
<p>15a Add lines 12 and 14</p>	15a	
<p>b Credit for Federal tax paid on fuels (from Form 4136)</p>	15b	
<p>c Subtract line 15b from line 15a. THIS IS YOUR TOTAL 1998 ESTIMATED TAX ▶</p>	15c	
<p>16a Multiply line 15c by 90% (66⅔% for farmers and fishermen) 16a</p>	16a	
<p>b Enter the tax shown on your 1997 tax return 16b</p>	16b	
<p>c Enter the smaller of line 16a or 16b. THIS IS YOUR REQUIRED ANNUAL PAYMENT TO AVOID A PENALTY . . . ▶</p> <p>Caution: If you do not prepay (through income tax withholding and estimated tax payments) at least the amount on line 16c, you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimate on line 15c is as accurate as possible. Even if you pay the required annual payment, you may still owe tax when you file your return. If you prefer, you may pay the amount shown on line 15c. For more details, see Pub. 505.</p>	16c	
<p>17 Income tax withheld and estimated to be withheld during 1998 plus any amount paid with Form 1040-C</p>	17	
<p>18 Subtract line 17 from line 16c. (Note: If zero or less, or line 15c minus line 17 is less than \$1,000, stop here. You are not required to make estimated tax payments.)</p>	18	
<p>19 • If your first payment is due April 15, 1998, enter ¼ of line 18 (minus any 1997 overpayment you are applying to this installment) here and on your payment voucher(s). • If you do not have wages subject to U.S. income tax withholding and your first payment is due June 15, 1998, enter ½ of line 16c on your first voucher and ¼ of line 16c on your second and third vouchers. Reduce each installment by ⅓ of line 17 and any 1997 overpayment you are applying to the installment</p>	19	

Note: If you are not required to file the voucher due April 15 (or June 15), 1998, at this time, you may have to file by a later date. See **Payment Due Dates** on page 2.

Tear off here

Form **1040-ES (NR)**
 Department of the Treasury
 Internal Revenue Service

1998 Payment Voucher 4

OMB No. 1545-0087

File only if you are making a payment of estimated tax. Return this voucher with check or money order payable to the **"Internal Revenue Service."** Please write your identifying number and "1998 Form 1040-ES(NR)" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Calendar year—Due Jan. 15, 1999

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, and country. Include postal code.	

- Enter on the payment line of the voucher only the amount you are sending in. When making payments of estimated tax, be sure to take into account any 1997 overpayment that you choose to credit against your 1998 tax, but do not include the overpayment amount on this line.
- Enclose your payment, making the check or money order payable to "Internal Revenue Service" (not "IRS").
- Write your identifying number (SSN or ITIN) and "1998 Form 1040-ES (NR)" on your check or money order.
- Do not staple or attach your payment to the voucher.
- Mail your payment voucher to the Internal Revenue Service, P.O. Box 8318, Philadelphia, PA 19162-8318.
- Fill in the **Record of Estimated Tax Payments** on page 2 for your files.

If you changed your name and made estimated tax payments using your old name, attach a statement to the front of your 1998 income tax return. List all of the estimated tax payments you made for 1998, the address where you made the payments, and the name and identifying number under which you made the payments.

1998 Tax Rate Schedules

Caution: Do not use these Tax Rate Schedules to figure your 1997 taxes. Use only to figure your 1998 estimated taxes.

Schedule X—Single

If line 5 is:	But not over—	The tax is:	of the amount over—
Over—			
\$0	\$25,350	..... 15%	\$0
25,350	61,400	\$3,802.50 + 28%	25,350
61,400	128,100	13,896.50 + 31%	61,400
128,100	278,450	34,573.50 + 36%	128,100
278,450	.....	88,699.50 + 39.6%	278,450

Schedule Y—Married filing separately

If line 5 is:	But not over—	The tax is:	of the amount over—
Over—			
\$0	\$21,175	..... 15%	\$0
21,175	51,150	\$3,176.25 + 28%	21,175
51,150	77,975	11,569.25 + 31%	51,150
77,975	139,225	19,885.00 + 36%	77,975
139,225	.....	41,935.00 + 39.6%	139,225

Schedule Z—Qualifying widows and widowers

If line 5 is:	But not over—	The tax is:	of the amount over—
Over—			
\$0	\$42,350	..... 15%	\$0
42,350	102,300	\$6,352.50 + 28%	42,350
102,300	155,950	23,138.50 + 31%	102,300
155,950	278,450	39,770.00 + 36%	155,950
278,450	.....	83,870.00 + 39.6%	278,450

Paperwork Reduction Act Notice. We ask for the information on these payment vouchers to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time needed to complete the worksheets and prepare and file the payment vouchers will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 40 min.; **Learning about the law**, 22 min.; **Preparing the worksheets and payment vouchers**, 59 min.; **Copying, assembling, and sending the payment vouchers to the IRS**, 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this package simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the payment vouchers to this address. Instead, see **How To Complete and Use the Payment Voucher** on page 2.

File only if you are making a payment of estimated tax. Return this voucher with check or money order payable to the "Internal Revenue Service." Please write your identifying number and "1998 Form 1040-ES(NR)" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Calendar year—Due Sept. 15, 1998

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, and country. Include postal code.	

For Paperwork Reduction Act Notice, see instructions on page 4.

Tear off here

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Calendar year—Due June 15, 1998

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, and country. Include postal code.	

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Calendar year—Due April 15, 1998

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, and country. Include postal code.	

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