

TAXATION OF TRAINEES IN THE SACC-USA TRAINEE PROGRAM

As a J-1 Visa holder (“Trainee”), you are subject to income tax in the United States on U.S. source income, including income you receive from your host organization. Accordingly, during your stay in the United States it is important that you meet all of your U.S. tax and filing obligations. This text is designed to provide you with a general overview of some of the U.S. tax responsibilities that you, as a Trainee, will have once you arrive in the United States. Please note that this is only meant to be a general overview and that there may be additional tax rules and filing requirements that are applicable to your particular situation, that are not mentioned in this text. *For these reasons, we recommend that you consult with a tax professional prior to filing your U.S. income tax returns.*

Step 1: Determining Your Residency Status

In order to determine your U.S. tax and filing obligations, you must first establish whether you are a resident or a nonresident for U.S. tax purposes. Please note that your residency status for tax purposes is different from your residency status for immigration purposes.

The United States taxes its “residents” on their worldwide income. A resident of the United States is a person who has a U.S. Green Card or U.S. citizenship. A resident is also someone who meets the “Substantial Presence Test” by being present in the United States for more than 183 days during a calendar year or, in the alternative, someone who is physically present in the United States on at least:

- 1) 31 days during the current calendar year; and
- 2) 183 days during a three year period that includes the current calendar year and the two calendar years immediately before that, counting:
 - a) all the days you were present in the current calendar year;
 - b) 1/3 of the days you were present in the previous calendar year; and
 - c) 1/6 of the days you were present in the calendar year two years prior to the current calendar year.

J-1 visa holders who participate in the SACC-USA Trainee Program will generally be exempt from the Substantial Presence Test and will be treated as nonresidents for U.S. tax purposes for two calendar years, provided they comply with all visa limitations, and provided they have **not** been present in the United States as teachers, trainees or students for any part of two (2) of the preceding six (6) calendar years. Please note that there are exemptions to this rule that may be useful to a Trainee who is not exempt from the Substantial Presence Test because of a prior presence in the U.S.

as a teacher, trainee or student. These particular exemptions are complex and beyond the scope of this text.

Step 2: Determining Your Tax

As a Trainee, you are subject to federal and state tax on your U.S. income. You are exempt from Social Security and Medicare tax as long as you are **not** considered a resident of the United States for U.S. tax purposes.

Step 3: Determining What and When to File.

Your state and federal income tax returns are due on or before April 15th of each year. In the end of January of each year, your host organization will issue a Form W-2 showing the taxable earnings you received from the host organization during the prior calendar year, along with the state and federal income taxes withheld from your income. You must report the information set forth on Form W-2 on your federal and state income tax returns.

Form 1040NR or 1040NR-EZ

Trainees who are nonresidents for U.S. tax purposes must report their U.S. income on Form 1040NR or Form 1040NR-EZ. The latter is a shorter and simpler version of Form 1040NR. Please refer to the instructions of Form 1040NR-EZ to determine if you qualify to use this form or whether you must use Form 1040NR to report your income. You can find all federal tax forms, with accompanying instructions, on the Internal Revenue Service (IRS) website at www.irs.gov.

Form 8843

You must file Form 8843, *Statement for Exempt Individuals and Individuals with a Medical Condition*, with your Form 1040NR (or 1040NR-EZ), in order to exclude days of presence in the United States for the purpose of being exempt from the Substantial Presence Test, which is described in more detail above.

If you fail to file Form 8843 you may be treated as a U.S. resident for tax purposes, and be subject to Medicare and Social Security Tax, along with income tax on your worldwide income.

For more information, please refer to the instructions for Form 8843 or IRS Publication 519, both which can be downloaded from the IRS website at www.irs.gov.

State Income Tax Returns

Most U.S. states have an income tax. Accordingly, if you are residing in a state where you must file an income tax return, please refer to the individual state's website for additional filing information.

For additional information regarding your tax filing obligations while in the United States, please contact:

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