

Date: March 24, 2018

To: A.P.EX. ProAuPair's US Based Professional Au Pairs

From: Tim Johnson, CPA
JLK Rosenberger, LLP

Re: Basic US Tax Treatment of Au Pairs

The below information is meant to be general in nature regarding the US income tax requirements of Au Pairs working in the US. It will not cover every unique situation and as such we urge you to discuss your personal situation with a Certified Public Accountant or other tax advisor. Please note that A.P.EX. ProAuPair is not licensed to provide official tax advice (nor are the staff, including Area Directors).

General Tax Guidelines for Au Pairs

- The weekly stipend that you receive is taxable in the US. The stipend is taxable because the US Department of Labor has determined that the stipend was wages due to the employee-employer relationship with the host family.
- Generally, an au pair will be considered a nonresident alien for tax purposes. However, if you were previously in the US as a student, teacher, trainee, or research with F, J, M, or Q nonimmigrant status, you may be considered to be a resident alien. This is important due to the Social Security and Medicare requirements on au pair wages.
- In most instances, you can utilize Form 1040 NR-EZ to report your earnings. The form is fairly simple and self-explanatory. There are tax preparation services that can also assist you in filing your income tax return.
- A.P.EX. ProAuPair has secured a \$10 discount code for using SprinTax which specializes in non-resident tax filing. See here: <https://www.sprintax.com/aupair> The code was previously emailed out to you. I highly encourage you to utilize SprinTax for easier preparation.
- You must submit your completed tax return for the previous calendar year (along with payment for any taxes owed) between January 1 and Tax Day, which is generally on April 15th, however for 2017 taxes you are filing now, Tax Day is actually April 17th. We recommend filing early in case you have questions and need to consult a tax advisor.
- If you need more time to file, you can file an extension using Form 7004 with the IRS by April 17, 2018. This will provide you until October 15, 2018 to file. However, if you owe any tax, you would be assessed a small amount of interest and penalties.
- If you earn income in the U.S. during more than one calendar year, you must file a separate tax return for each year that you earned income in the U.S.

- You must file a U.S. tax return for the prior calendar year, even if you have already returned to your home country.
- Although each situation is different and unique to you, as a general rule, you should set aside around 10% to 15% of the au pair income you make in the U.S. to cover federal taxes owed. The actual amount you need to pay will vary based on a number of factors.
- In addition to paying federal income tax, some au pairs may be required to pay state income tax, depending on the state they live(d) in. Check the state's tax revenue website for details.
- If you made less than the exemption amount (\$4,050 for 2017) in a calendar year, you may not have to file a return for that year. If you think this is the case for you, you may want to consult with a tax advisor to be sure.
- For tax purposes, an au pair is not considered to be a student.
- If an au pair does not file a tax return to report his/her earnings to the IRS, and pay any taxes owed on those earnings, he/she could be fined and/or denied a visa to return to the U.S. in the future (even on a tourist visa).
- You may also need to file Form 8843 to indicate that you are not a US resident because you are exempt from the substantial presence test. This would generally be the case if you were in the US for more than 31 days during 2017 AND more than 183 days during 2017, 2016, and 2015 whereby you count only 1/3rd of the days during 2016 and 1/6th of the days in 2015. Essentially, if you were in the US for more than 6 months during 2017, you will need to file Form 8843. You will attach Form 8843 to your Form 1040 NR-EZ.

Resources:

- IRS Commentary on Au Pairs: www.irs.gov/Individuals/International-Taxpayers/Au-Pairs
- Form 1040NR-EZ: <https://www.irs.gov/pub/irs-pdf/f1040nre.pdf>
- Form 1040NR-EZ Instructions: www.irs.gov/pub/irs-pdf/i1040nre.pdf
- Form 1040NR: www.irs.gov/pub/irs-pdf/f1040nr.pdf
- Form 1040NR Instructions: www.irs.gov/pub/irs-pdf/i1040nr.pdf
- Form 8843 & Instructions: <https://www.irs.gov/pub/irs-pdf/f8843.pdf>
- IRS Publication 26 (Alien Liability for Soc Sec & Medicare)

Step-by-Step Guide to Filing Your Taxes

Remember, A.P.EX. ProAuPair is not licensed to provide official tax advice (nor are any of our staff, including Area Directors). Everyone's tax situation is different and therefore this information may or may not be applicable to your personal situation. The following is only intended to be a guideline for filing your taxes. Please check with a tax advisor for further advice and assistance.

Step 1: **Get a Social Security Number.** If you haven't already, follow the steps in your Au Pair Handbook to get a social security number as soon as possible.

Step 2: **Calculate how much money (wages/taxable income) you earned during the previous calendar year,** using the *Stipend Record Form* located at the end of this document. For example, if you worked and received a stipend payment of \$250 per week for 25 weeks, your income was $\$250 \times 25 = \underline{\$6,250}$ (stipend rates vary by program).

Step 3: Fill out form 1040 NR-EZ and mail to the IRS, along with payment for any taxes owed.

- A) Enter your name, ID number, and address along with checking the box for "Single nonresident alien"
- B) Enter the amount of your earnings on lines 3, 7, 10, and 12 of Form 1040NR-EZ.
- C) Enter \$4,050 (exemption amount) on line 13
- D) Subtract the \$4,050 from your earnings and enter it on line 14 to arrive at your taxable income.
- E) Find your tax amount by going to the instructions for Form 1040NR-EZ (starting on pg 23 of the instructions) and finding the amount of tax that corresponds to your taxable income on line 14 and enter this amount on line 17 and line 25.
- F) Answer the questions on page 2 of the Form 1040NR-EZ.
- G) Sign and date your income tax filing and mail with payment.

Taxes can be paid via personal check or money order in U.S. Dollars. The address for filing with the IRS a 1040NR-EZ along with Form 8843, if necessary, with payment due is:

Department of the Treasury
Internal Revenue Service
PO Box 1303
Charlotte, NC 28201-1303
USA

If you return to your home country before the tax filing is due, you may either submit your taxes before you leave the US or you can file them when you return home by filling out the 1040 NR-EZ and submitting it (along with your payment) to the address above. Generally, you are not able to submit your tax return until late January following the calendar year that you received income, so it is quite possible you will need to file your taxes from your home country.

Definitions

- Calendar Year:** January 1 – December 31
- Form 1040 NR-EZ:** The non-resident tax form that au pairs should fill out to report wages earned in the U.S. during each calendar year.
- IRS:** Internal Revenue Service – the government bureau responsible for collecting taxes in the U.S.
- Taxable Income:** Money (stipend payments) paid to the au pair by his/her host family, which the au pair is required to report by filing a tax return, less the \$4,050 exemption for 2017.
- Tax Day:** The day in April (usually around April 15th) when U.S. taxes are due for the previous year. For example, on Tax Day for 2017 tax filings is April 17, 2018.
- Tax Return:** A form that you fill out to send to the IRS, with information about income earned and payment for any taxes owed. Au pairs fill out tax return Form 1040 NR-EZ.
- Wages:** Money (stipend payments) paid to the au pair by his/her host family, which the au pair is required to report by filing a tax return, and paying any income taxes due.

For more information, consult a tax advisor, or visit the IRS website at www.irs.gov

