

Case Study I

Client Information

Taxpayer name	Maria DeLima
Taxpayer SSN	xxx-xx-x101
Taxpayer DOB	July 2, 1986
Spouse name	Claudio DeLima
Spouse SSN	None
Spouse DOB	July 10, 1981
Address	890 Berwyn Road, Berwyn Heights, MD 20784
Living situation	Clients purchased home September 15, 2019
Phone	xxx 555 0101 (T) cell, prefer evening calls
Work phone	xxx-555-4343 (T)
Email	Mdelima@mtw.edu
Taxpayer occupation	Nurse
Spouse occupation	Artist

Dependent Information

Dependent name	Lourdes DeLima
Dependent SSN	None
Dependent DOB	June 6, 2011
Dependent relationship	daughter

Visa Information

Maria's passport	Costa Rica, X9876543
Maria's U.S. visa	H-1b, # 123456, issued in San Jose, Costa Rica
1st date in U.S. on H visa	October 4, 2019. Visa issued October 2., 2019
Prior visa	F-1 visa, in U.S. Sept, 1, 2016 – April 30, 2019
Travel on H1 visa	Left U.S. 12/19/2019 for Costa Rica
Returned to U.S.	01/03/2020
Claudio's U.S. visa	H-2 visa Prior visas were B1/B2
Lourdes' visa	H-2 Visa Prior visas were F-2

Lourdes travelled with Maria on each trip. Claudio traveled with Maria in December, 2019.

Employment

Maria DeLima is a nurse at Berwyn Hospital, in Prince George's County, MD. Maria's contract began October 15, 2019. It runs for two years and is renewable a year at a time for three additional years. From September 1, 2016 – April 30, 2019, Maria was completing specialized nursing studies at UMD while on an F-1 visa.

Claudio is a renowned artist. He travels frequently. He paints in Costa Rica and visits his gallery in France. He expects to spend fewer than 120 days in the U.S. each year. Luckily, Berwyn Hospital offers on-demand child care twenty-four hours a day.

Income

Claudio received a statement from his Paris gallery showing income of Euros € 45000.00 from sales of artworks. He also has a Paris bank account with a balance of Euros € 8.000. The Treasury average yearly exchange rate chart shows the 2019 average euro rate as 0.893.

W-2 information for Maria

Payer: Berwyn Hospital, EIN 43-999999999		
Box 1 \$ 39,560	Box 2 \$5,121.25	
Box 3 \$ 39,560	Box 4 \$2,453	
Box 5 \$ 39,560	Box 6 \$574	
Box 15 MD state EIN 999999	Box 16 \$39, 560	Box 17 \$0

Expenses

The DeLima's paid the following 2019 expenses:

Lodging	\$3,360*	
Meals	\$2,520*	
Mortgage interest	\$1,116	
RE tax	\$900	
MD ES	4 th Q 12/30/19	\$1,400

*Prorated. Maria's share for period before house purchase

Note: Maria did not meet tax filing requirements in 2016, 2017, or 2018, She did file Form 8843.

Questions

1. Is Maria a tax resident alien or a nonresident alien for 2019.? Why?
2. What U.S. income tax form must she file?
3. Which filing status does she use?
4. May she deduct any personal exemption amount?
5. May she claim a standard deduction?
6. What income is taxable?
7. What expenses, deductions, or adjustments may she claim?
8. What will be different in 2020? What choices will she have then?

Case Study I Solution – Maria DeLima

Answers

1. Maria is a nonresident alien for 2019. She does not have a green card. She did not meet the Substantial Presence Test (SPT). She did not spend 183 days in the U.S. on the H1-b visa. She was still eXempt from counting days in the U.S. as days of presence while on the F-1 visa.
2. She must file on Form 1040NR because she is a nonresident alien. The rules are mandatory.
3. Maria is married. Her filing status is “other married”, equivalent to MFS on Form 1040.
4. No. A tax code change in TCJA suspended deductions from income for personal exemptions.
5. No. On Form 1040NR, only a student or business apprentice from India may do so.
6. Maria’s U.S. source income is the only income taxable on her Form 1040NR. There is only one taxpayer on a Form 1040NR. Claudio’s income would never be relevant on her return. He does not have U.S. source income. If he did, he would file his own Form 1040NR.
7. She has no deductible expenses. Mortgage interest and real estate taxes are not deducted on Form 1040NR Schedule A. She has no away-from-home business expenses. Her tax home is in the U.S. She was in the U.S. for more than one year. She did not maintain two homes.
8. In 2020 she is likely to meet the substantial presence test (SPT) and file on Form 1040. Maria could choose MFS filing status, or potentially meet the requirements for Head of Household. Claudio will remain a non-resident alien as long as he does not meet the SPT. Lourdes might be a qualifying child. She might also meet the SPT. If she does not qualify for an SSN, an ITIN could be applied for with the tax return. Tax benefits related to Lourdes will depend upon the type of TIN (SSN or ITIN) and when it is received.

Possible history or return note Maria DeLima xxx-xx-x101

Maria DeLima filed Forms 8843 for herself and daughter Lourdes in 2016, 2017, and 2018.

She did not meet income tax filing requirements

2019 she made one quarterly estimated payment to MD for its 2019 tax return.

\$1,400 4th quarter payment 12/30/19 is a deduction on 2019 Form 1040NR-EZ, Line 11

Completed Forms

See following pages.

Note that on Form 8843, Lines 1a and b can be awkward. Instructions state that they do not need to be completed if Form 8843 is submitted attached to Form 1040-NR or 1040-NR-EZ and the taxpayer has provided the requested information there.

Form **1040-NR-EZ**

U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents

OMB No. 1545-0074

2019

Department of the Treasury
Internal Revenue Service

► Go to www.irs.gov/Form1040NREZ for instructions and the latest information.

Please print or type. See separate instructions.	Your first name and middle initial Maria	Last name DeLima	Identifying number (see instructions) 306-10-8101
	Present home address (number, street, and apt. no., or rural route). If you have a P.O. box, see instructions. 890 Berwyn Road		
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below. See instructions. Berwyn Heights, MD 20784		
	Foreign country name	Foreign province/state/county	Foreign postal code

Filing Status
Check only one box.

1 Single nonresident alien **2** Married nonresident alien

Attach Form(s) W-2 or 1042-S here. Also attach Form(s) 1099-R if tax was withheld.	3 Wages, salaries, tips, etc. Attach Form(s) W-2	3	39,560
	4 Taxable refunds, credits, or offsets of state and local income taxes	4	
	5 Scholarship and fellowship grants. Attach Form(s) 1042-S or required statement.	5	
	6 Total income exempt by a treaty from page 2, Item J(1)(e)	6	
	7 Add lines 3, 4, and 5	7	39,560
	8 Scholarship and fellowship grants excluded	8	
	9 Student loan interest deduction	9	
	10 Subtract the sum of line 8 and line 9 from line 7. This is your adjusted gross income	10	39,560
	11 Itemized deductions. See the instructions for limitation	11	1,400
	12 Reserved.	12	
	13 Reserved.	13	
	14 Taxable income. Subtract line 11 from line 10. If line 11 is more than line 10, enter -0-	14	38,160
	15 Tax. Find your tax in the tax table in the instructions	15	4,387
	16 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	16	
	17 Add lines 15 and 16. This is your total tax ►	17	4,387
18a Federal income tax withheld from Form(s) W-2 and 1099-R	18a	5,121	
b Federal income tax withheld from Form(s) 1042-S	18b		
19 2019 estimated tax payments and amount applied from 2018 return	19		
20 Credit for amount paid with Form 1040-C	20		
21 Add lines 18a through 20. These are your total payments ►	21	5,121	

Refund

22 If line 21 is more than line 17, subtract line 17 from line 21. This is the amount you **overpaid** **22** **734**

23a Amount of line 22 you want **refunded to you**. If Form 8888 is attached, check here ► **23a** **734**

b Routing number 9 9 9 9 9 9 9 9 9 9 **c** Type: Checking Savings

d Account number 9

e If you want your refund check mailed to an address outside the United States not shown above, enter that address here:

Amount You Owe

24 Amount of line 22 you want **applied to your 2020 estimated tax** ► **24**

25 **Amount you owe.** Subtract line 21 from line 17. For details on how to pay, see instructions ► **25**

26 Estimated tax penalty (see instructions) **26**

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions. Yes. Complete the following. No

Designee's name ► **My TaxPro** Phone no. ► **5555555555** Personal identification number (PIN) ► **P 9 9 9 9**

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of U.S. source income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature _____ Date _____ Your occupation in the United States **Nurse** If the IRS sent you an Identity Protection PIN, enter it here (see inst.) _____

Paid Preparer Use Only

Print/Type preparer's name **My TaxPro** Preparer's signature _____ Date _____ Check if self-employed PTIN **P9999**

Firm's name ► **name** Firm's EIN ► **9 9 9 9 9 9 9 9**

Firm's address ► **address** Phone no. **555-555-5555**

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? Costa Rica
- B** In what country did you claim residence for tax purposes during the tax year? Costa Rica
- 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 may 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. H1b
- F** Have you ever changed your visa type (nonimmigrant status) or U.S. immigration status? Yes No
If "Yes," indicate the date and nature of the change. ► 10-02-2019 From F1 to H1b
- 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
01/01/19	04/30/19
10/04/19	12/19/19

Date entered United States mm/dd/yy	Date departed United States mm/dd/yy

- H** Give number of days (including vacation, non-workdays, and partial days) you were present in the United States during:
2017 0, 2018 0, and 2019 77.
- 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 ► _____
- J** 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-EZ, line 6. Do not enter it on line 3 or line 5

- 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.

Form **8843**

Statement of Exempt Individuals and Individuals With a Medical Condition

For use by alien individuals only.

OMB No. 1545-0074

2019

Attachment Sequence No. **102**

Department of the Treasury
Internal Revenue Service

► Go to www.irs.gov/Form8843 for the latest information.

For the year January 1—December 31, 2019, or other tax year _____, 20____, beginning _____, 2019, and ending _____, 20____.

Your first name and initial Maria		Last name DeLima	Your U.S. taxpayer identification number, if any 306-10-8101
Fill in your addresses only if you are filing this form by itself and not with your tax return	Address in country of residence		Address in the United States

Part I General Information

- 1a** Type of U.S. visa (for example, F, J, M, Q, etc.) and date you entered the United States ► **F1 09-01-2016**
- b** Current nonimmigrant status. If your status has changed, also enter date of change and previous status. See instructions.
H1b 10-02-2019 from F1 to H1b
- 2** Of what country or countries were you a citizen during the tax year? **Costa Rica**
- 3a** What country or countries issued you a passport? **Costa Rica**
- b** Enter your passport number(s) ► **X9876543**
- 4a** Enter the actual number of days you were present in the United States during:
2019 **197** 2018 **365** 2017 **238**
- b** Enter the number of days in 2019 you claim you can exclude for purposes of the substantial presence test ► **77**

Part II Teachers and Trainees

- 5** For teachers, enter the name, address, and telephone number of the academic institution where you taught in 2019 ► _____
- 6** For trainees, enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2019 ► _____
- 7** Enter the type of U.S. visa (J or Q) you held during: ► 2013 _____ 2014 _____
2015 _____ 2016 _____ 2017 _____ 2018 _____. If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.
- 8** Were you present in the United States as a teacher, trainee, or student for any part of 2 of the 6 prior calendar years (2013 through 2018)? Yes No
If you checked the "Yes" box on line 8, you cannot exclude days of presence as a teacher or trainee unless you meet the *Exception* explained in the instructions.

Part III Students

- 9** Enter the name, address, and telephone number of the academic institution you attended during 2019 ► _____
University of Maryland, address, phone
- 10** Enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2019 ► **Dr X Y Z, Director of Nursing, office address, office phone**
- 11** Enter the type of U.S. visa (F, J, M, or Q) you held during: ► 2013 _____ 2014 _____
2015 _____ 2016 **F** 2017 **F** 2018 **F**. If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.
- 12** Were you present in the United States as a teacher, trainee, or student for any part of more than 5 calendar years? Yes No
If you checked the "Yes" box on line 12, you must provide sufficient facts on an attached statement to establish that you do not intend to reside permanently in the United States.
- 13** During 2019, did you apply for, or take other affirmative steps to apply for, lawful permanent resident status in the United States or have an application pending to change your status to that of a lawful permanent resident of the United States? Yes No
- 14** If you checked the "Yes" box on line 13, explain ► _____

The Masaryk Twins: Case Study II and Case Study III

Common Elements

The Masaryk twins are both physician trainees, in the U.S. on J1 visas. They share the same date of birth, U.S. address, phone number, sponsor, employer, and financial information.

Individual Elements

The twins have different first names and other individual information. They entered the U.S. a year apart. One has not yet met the Substantial Presence Test (SPT) and will file on Form 1040NR. One has met the SPT and will file on Form 1040.

Common Information

Neither twin is blind nor disabled

Taxpayer DOB	November 12, 1991
Address	603 Berwyn Road, Berwyn Heights, MD, 20784
Living Arrangement	Shares rented apartment
Taxpayer Occupation	Physician trainee

Each twin is a physician trainee at Berwyn Hospital in Prince George's County, MD. Each resided in the Czech Republic immediately before entering the U.S. Each work contract began May 1 of the twin's first year in the U.S. It is renewable in two year increments.

Income

Each twin received two Forms 1042-S. They have no other income.

One is for \$32 interest on his account in the BH FCU.

One is for wages paid by Berwyn Hospital.

Box 1 code is 19. Box 2 shows \$ 42,400. Box 3 is checked. 3b is 14%. Box 7 \$ 5,418.

Case Study II – Individual Information

Taxpayer Name	Carlos Wenceslaus Masaryk
Taxpayer SSN	XXX-XX-X201
Cell phone, work phone	XXX-555-5201, XXX-555-5202
Email	Masaryk.c.w.@net.net
Passport	Czech Republic X2345678
Visa	J1 issued April 15, 2018
First date in U.S.	Entered U.S. April 24, 2018; no prior visits

Case Study III Individual Information

Taxpayer Name	Josef Wenceslaus Masaryk
Taxpayer SSN	xxx-xx-x301
Cell phone	xxx-555-5301
Work phone	xxx-555-5303
Email	Masaryk.j.w.@net.net
Passport	Czech Republic X3456789
Visa	J1 issued April 15, 2017
First date in U.S.	Entered U.S. April 24, 2017; no prior visits on any visa

Common Information

Tax Treaty Benefits

Table 2 of Tax Treaty Tables shows the following for Czech Republic:

Country (1)	Code ¹ (2)	Purpose ²² (3)	Maximum Presence in U.S (4)	Required Employer or Payer (5)	Maximum Amount of Compensation (6)	Treaty Article Citation (7)
Czech Republic	16	Scholarship or fellowship grant ^{4, 15}	5 years	Any U.S. or foreign resident ⁵	No limit	21(1)
	17	Independent personal services ⁷	183 days	Any contractor	No limit	14
	18	Dependent personal services ^{8, 17, 57}	183 days	Any foreign resident	No limit	15
	42	Public entertainment	No limit	Any U.S. or foreign resident	\$20,000 p.a. ³⁰	18
	19	Teaching ^{4, 35}	2 years	Any U.S. educational or research institution	No limit	21(5)
	20	Studying and training: ⁴				
		Remittances and allowances	5 years	Any foreign resident	No limit	21(1)
		Compensation during training	5 years	Any U.S. or foreign resident	\$5,000 p.a.	21(1)
		Compensation while gaining experience ²	12 consec. mos.	Czech resident	\$8,000	21(2)
	Compensation under U.S. Government program	1 year	U.S. Government	\$10,000	21(3)	

Other 1042-S and Form 8843 information: Just enter generic information, as, 'name', 'address', etc.

Expenses

Stethoscope	\$280
Medical reference materials	\$475
Tax preparation for prior year	\$150
Quarterly ES payments to MD	\$3,000 total, four timely payments of \$ 750 (Same amount was paid each quarter in prior year.)
Professional dues	\$330

Each twin would like the most advantageous tax return possible. He would like to claim treaty benefits available in the U.S.-Czech Republic income tax treaty.

Consider:

- What forms must each Masaryk twin submit?
- Should any Return Notes be submitted with the return? Required or helpful?
- Would it be helpful to prepare or update a Preparer Client History Note?
- Which expenses listed may be claimed?

Case Study II: Carlos W. Masaryk

This tax return is for his second calendar year in the U.S. on a J1 visa.

Prepare a Federal tax return. Prepare any required or useful statements or notes.

Tax Prep Tip:

Only taxable compensation is entered on Form 1040NR Line 8.

Full Income or income minus exclusion: How is the income reported? If there is a treaty income exclusion, and the information document reports the full income amount, the treaty exclusion listed on Line 22 plus the taxable income on Line 8 will equal the information document amount. Not all taxpayers or employers utilize Form 8283. Different employers have different systems (maybe no system at all!) for how to pay J1 visa holders.

Treaties differ: Treaty income exclusions vary from treaty to treaty because of variations in the articles, such as type of income, amount of income, period that income may be excluded. And of course the start date of the exclusion varies according to the individual's arrival date in the U.S.

On Form 1040NR, generally the information included in Schedule OI, Item L, is sufficient to explain the circumstances and amount of the exclusion. Occasionally circumstances may warrant an exclusion calculation note, such as is illustrated in Case Study III.

Required Form: Form 8843 is required to show the number of days eXempt from being considered **present** days for the Substantial Presence Test (SPT). Carlos must submit this form attached to his income tax return. It is not illustrated here. Case Study 1 does illustrate a Form 8843.

Form **1040-NR**

U.S. Nonresident Alien Income Tax Return

OMB No. 1545-0074

► Go to www.irs.gov/Form1040NR for instructions and the latest information.

Department of the Treasury
Internal Revenue Service

For the year January 1–December 31, 2019, or other tax year

2019

beginning _____, 2019, and ending _____, 20____

Please print or type	Your first name and middle initial Carlos W.	Last name Masaryk	Identifying number (see instructions) 306-10-8201
	Present home address (number and street or rural route). If you have a P.O. box, see instructions. 603 Berwyn Road		Apt. no. _____ Check if: <input checked="" 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. Berwyn Heights, MD 20784		
	Foreign country name	Foreign province/state/county	Foreign postal code

Filing Status Check only one box.	1 <input type="checkbox"/> Reserved 2 <input checked="" 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)
	Child's name ► _____	

Dependents	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.):
If more than four dependents, see instructions and check here. <input type="checkbox"/>	(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"/>

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	37,400
	9a Taxable interest	9a	
	b Tax-exempt interest. Do not include on line 9a	9b	32
	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	5,000	
23 Combine the amounts in the far right column for lines 8 through 21. This is your total effectively connected income	23	37,400	

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	37,400	

Tax and Credits	36 Reserved for future use	36	
	37 Itemized deductions from page 3, Schedule A, line 8	37	3,000
	38 Qualified business income deduction. Attach Form 8995 or Form 8995-A	38	
	39 Exemptions for estates and trusts only (see instructions)	39	

Form 1040-NR (2019)

Page **2**

Tax and Credits <i>(continued)</i>	40	Add lines 37 through 39		40	3,000
	41	Taxable income. Subtract line 40 from line 35. If zero or less, enter -0-		41	34,400
	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	3,937
	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	3,937
	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	3,937	
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	
	59b	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	3,937	
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	5,418	
	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	5,418	
Refund <small>Direct deposit? See instructions.</small>	72	If line 71 is more than line 61, subtract line 61 from line 71. This is the amount you overpaid		72	1,481
	73a	Amount of line 72 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>		73a	1,481
	b	Routing number <input type="text" value="9999999999"/> c Type: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings			
d	Account number <input type="text" value="99999999999999999999"/>				
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			
Amount You Owe	75	Amount you owe. Subtract line 71 from line 61. For details on how to pay, see instructions		75	
	76	Estimated tax penalty (see instructions)	76		
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? See instructions <input checked="" type="checkbox"/> Yes . Complete below. <input type="checkbox"/> No				
	Designee's name My TaxPro	Phone no. 555-555-5555	Personal identification number (PIN) P 9 9 9 9 9		
Sign Here <small>Keep a copy of this return for your records.</small>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
	Your signature Physician Trainee	Date	Your occupation in the United States	If the IRS sent you an Identity Protection PIN, enter it here (see instr.)	
Paid Preparer Use Only	Print/Type preparer's name My TaxPro	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN P9999
	Firm's name firm name	Firm's EIN 99		9999999	
	Firm's address firm address	Phone no. 555-555-5555			

Form **1040-NR** (2019)

Schedule A—Itemized Deductions (see instructions)

07

Taxes You Paid				
1	State and local income taxes			
a	State and local income taxes	1a	3,000	
b	Enter the smaller of line 1a and \$10,000 (\$5,000 if box 5 is checked)			1b 3,000
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		3,000

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)	
					0 %	%
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				32	
3 Industrial royalties (patents, trademarks, etc.)	3					
4 Motion picture or T.V. copyright royalties	4					
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					
12 Other (specify) ▶	12					
13 Add lines 1a through 12 in columns (a) through (d)	13					
14 Multiply line 13 by rate of tax at top of each column	14					
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 ▶	15					

Capital Gains and Losses From Sales or Exchanges of Property

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		(g) GAIN	
					If (e) is more than (d), subtract (d) from (e)	If (d) is more than (e), subtract (e) from (d)		
17 Add columns (f) and (g) of line 16					17	()		
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	

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? Czech Republic
- B** In what country did you claim residence for tax purposes during the tax year? Czech Republic
- 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. J1
- 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
01/03/19	12/24/19		

- H** Give number of days (including vacation, nonworkdays, and partial days) you were present in the United States during:
2017 0, 2018 0, and 2019 0.
- 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 Form 1040-NR
- 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
- 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
<u>Czech Republic</u>	<u>21(1)</u>	<u>8</u>	<u>5,000</u>

(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. ▶

Case Study III: Josef W. Masaryk

This tax return is for his third calendar year in the U.S. on a J1 visa.

Prepare both a federal and a state tax return. Prepare any required or useful statements or notes.

Josef has been in the U.S. on a J1 visa for some part of two calendar years prior to the tax year. His eXemption from counting days spent in the U.S. towards the substantial presence test (SPT) ended before the tax year began. Assume he properly informed Berwyn Hospital that he expected to become a tax resident and so they should begin withholding for social security and Medicare taxes with the first pay period beginning after January 1 of the tax year.

Tax Prep Tip:

On Form 1040, even when there is a treaty income exclusion, the full amount of employer compensation is reported on Line 1. For 2019 returns, the amount eXcluded by treaty is entered on Schedule 1, Part I, Line 8, additional income, as a negative number. The reason is entered as a literal on the blank line (*list type and amount*) as 'treaty offset' followed by the amount, treaty name, amount, and article number. The paper form has room to enter all the information. The tax software may not. This carries to Page 1, Line 7a. FYI: For 2018 returns, Line 21 on Schedule 1 was still used for this purpose.

The full qualifying information and exclusion calculation is entered on a note attached to the tax return. The history of prior use of the exclusion is also detailed, as it would be on Form 1040-NR, Schedule OI, Item L.

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Josef W.	Last name Masaryk	Your social security number 3 0 6 1 0 8 3 0 1
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. **603 Berwyn Road** Apt. no.
 City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **Berwyn Heights, MD, 20784**
 Foreign country name Foreign province/state/county Foreign postal code
Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse
 If more than four dependents, see instructions and ✓ here

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** Were born before January 2, 1955 Are blind **Spouse:** Was born before January 2, 1955 Is blind

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	
(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"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2	1	42,400
2a Tax-exempt interest	2a	
3a Qualified dividends	3a	
4a IRA distributions	4a	
c Pensions and annuities	4c	
5a Social security benefits	5a	
6 Capital gain or (loss). Attach Schedule D if required. If not required, check here	6	
7a Other income from Schedule 1, line 9	7a	-5,000
b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income	7b	37,432
8a Adjustments to income from Schedule 1, line 22	8a	
b Subtract line 8a from line 7b. This is your adjusted gross income	8b	37,432
9 Standard deduction or itemized deductions (from Schedule A)	9	12,200
10 Qualified business income deduction. Attach Form 8995 or Form 8995-A	10	
11a Add lines 9 and 10	11a	12,200
b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-	11b	12,200

Standard Deduction for—
 • Single or Married filing separately, \$12,200
 • Married filing jointly or Qualifying widow(er), \$24,400
 • Head of household, \$18,350
 • If you checked any box under **Standard Deduction**, see instructions.

12a	Tax (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____	12a	2,833	
b	Add Schedule 2, line 3, and line 12a and enter the total			12b 2,833
13a	Child tax credit or credit for other dependents	13a		
b	Add Schedule 3, line 7, and line 13a and enter the total			13b
14	Subtract line 13b from line 12b. If zero or less, enter -0-			14 2,833
15	Other taxes, including self-employment tax, from Schedule 2, line 10			15
16	Add lines 14 and 15. This is your total tax			16 2,833
17	Federal income tax withheld from Forms W-2 and 1099			17 5,418
18	Other payments and refundable credits:			
a	Earned income credit (EIC)	18a		
b	Additional child tax credit. Attach Schedule 8812	18b		
c	American opportunity credit from Form 8863, line 8	18c		
d	Schedule 3, line 14	18d		
e	Add lines 18a through 18d. These are your total other payments and refundable credits			18e
19	Add lines 17 and 18e. These are your total payments			19 5,418

Refund

Direct deposit?
See instructions.

20	If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid	20	2,585
21a	Amount of line 20 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	21a	2,585
b	Routing number 9 9 9 9 9 9 9 9 9 9	c Type:	<input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9		
22	Amount of line 20 you want applied to your 2020 estimated tax	22	

Amount You Owe

23	Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions	23	
24	Estimated tax penalty (see instructions)	24	

Third Party Designee

(Other than paid preparer)

Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. **Yes.** Complete below. **No**

Designee's name **MyTax Pro** Phone no. **555-555-5555** Personal identification number (PIN) **P 9 9 9 9**

Sign Here

Joint return?
See instructions.
Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation Physician Trainee	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Paid Preparer Use Only

Preparer's name My TaxPro	Preparer's signature	Date	PTIN P9999	Check if: <input checked="" type="checkbox"/> 3rd Party Designee
Firm's name firm name	Phone no. 555-555-5555		<input type="checkbox"/> Self-employed	
Firm's address firm address	Firm's EIN			

Go to www.irs.gov/Form1040 for instructions and the latest information.

SCHEDULE 1
(Form 1040 or 1040-SR)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ Attach to Form 1040 or 1040-SR.
▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2019
Attachment
Sequence No. **01**

Name(s) shown on Form 1040 or 1040-SR

Your social security number

Josef W. Masaryk

306-10-8301

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? Yes No

Part I Additional Income			
1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income. List type and amount ▶ <u>treaty offset \$ 5,000 Czech Republic Article 21(1)</u>	8	-5,000
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	-5,000

Part II Adjustments to Income			
10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	
15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN ▶		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Tuition and fees. Attach Form 8917	21	
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040 or 1040-SR, line 8a	22	

Maryland 502 Case Study III: Joseph W. Masaryk, Page 1

MARYLAND FORM 502 RESIDENT INCOME TAX RETURN



2019

\$

OR FISCAL YEAR BEGINNING _____ 2019, ENDING _____

306108301 Your Social Security Number Spouse's Social Security Number

Josef W Your First Name MI Masaryk Your Last Name

Spouse's First Name MI Spouse's Last Name

603 Berwyn Road Current Mailing Address Line 1 (Street No. and Street Name or PO Box)

Berwyn Heights MD 20784 City or Town State ZIP Code + 4

Current Mailing Address Line 2 (Apt No., Suite No., Floor No.)

REQUIRED: Maryland Physical address of taxing area as of December 31, 2019 or last day of the taxable year for fiscal year taxpayers. See Instruction 6. Part-year residents see Instruction 26.

1715 City of Hyattsville 4 Digit Political Subdivision Code (See Instruction 6) Maryland Political Subdivision (See Instruction 6) 603 Berwyn Road Maryland Physical Address Line 1 (Street No. and Street Name) (No PO Box) Berwyn Heights MD 20784 PG City State ZIP Code + 4 Maryland County

FILING STATUS

CHECK ONE BOX

See Instruction 1 if you are required to file.

- 1. [X] Single (If you can be claimed on another person's tax return, use Filing Status 6.) 2. [] Married filing joint return or spouse had no income 3. [] Married filing separately, Spouse SSN 4. [] Head of household 5. [] Qualifying widow(er) with dependent child 6. [] Dependent taxpayer (Enter 0 in Exemption Box (A) - See Instruction 7.)

PART-YEAR RESIDENT

See Instruction 26.

Dates of Maryland Residence (MM DD YYYY) FROM TO

Other state of residence:

If you began or ended legal residence in Maryland in 2019 place a P in the box. MILITARY: If you or your spouse has non-Maryland military income, place an M in the box. Enter Military Income amount here:

EXEMPTIONS

See Instruction 10. Check appropriate box(es). NOTE: If you are claiming dependents, you must attach the Dependents' Information Form 502B to this form to receive the applicable exemption amount.

- A. [X] Yourself [] Spouse Enter number checked 1 See Instruction 10 A. \$ 3200 B. [] 65 or over [] 65 or over [] Blind [] Blind Enter number checked X \$1,000 B. \$ C. [] Enter number from line 3 of Dependent Form 502B See Instruction 10 C. \$ D. Enter Total Exemptions (Add A, B and C.) Total Amount. D. \$ 3200

**MARYLAND
FORM
502**

**RESIDENT INCOME
TAX RETURN**



2019
Page 2

NAME Masaryk

SSN 306108301

**MARYLAND
HEALTH CARE
COVERAGE**

See Instruction 3.

- Check here If you do not have health care coverage DOB (mm/dd/yyyy) ▶ _____
- Check here If your spouse does not have health care coverage DOB (mm/dd/yyyy) ▶ _____
- Check here I authorize the Comptroller of Maryland to share information from this tax return with the Maryland Health Benefit Exchange for the purpose of determining pre-eligibility for no-cost or low-cost health care coverage.
- E-mail address ▶ _____

INCOME

See Instruction 11.

- 1.** Adjusted gross income from your federal return ▶ **1.** 37,432
- 1a.** Wages, salaries and/or tips ▶ **1a.** 42,400
- 1b.** Earned income ▶ **1b.** _____
- 1c.** Capital Gain or (loss) ▶ **1c.** _____
- 1d.** Taxable Pensions, IRAs, Annuities (**Attach Form 502R.**) ▶ **1d.** _____
- 1e.** Place a "Y" in this box if the amount of your investment income is more than \$3,600. ▶

**ADDITIONS
TO INCOME**

See Instruction 12.

- 2.** Tax-exempt interest on state and local obligations (bonds) other than Maryland ▶ **2.** _____
- 3.** State retirement pickup ▶ **3.** _____
- 4.** Lump sum distributions (from worksheet in Instruction 12.) ▶ **4.** _____
- 5.** Other additions (Enter code letter(s) from Instruction 12.) ▶ **G** _____ ▶ **5.** 5,000
- 6.** Total additions to Maryland income (Add lines 2 through 5.) ▶ **6.** 5,000
- 7.** Total federal adjusted gross income and Maryland additions (Add lines 1 and 6.) ▶ **7.** 42,432

**SUBTRACTIONS
FROM INCOME**

See Instruction 13.

- 8.** Taxable refunds, credits or offsets of state and local income taxes included in line 1 ▶ **8.** _____
- 9.** Child and dependent care expenses ▶ **9.** _____
- 10a.** Pension exclusion from worksheet (13A) **Yourself** ▶ **Spouse** ▶ ▶ **10a.** _____
- 10b.** Pension exclusion from worksheet (13E) **Yourself** ▶ **Spouse** ▶ ▶ **10b.** _____
- 11.** Taxable Social Security and RR benefits (Tier I, II and supplemental) included in line 1 ▶ **11.** _____
- 12.** Income received during period of nonresidence (See Instruction 26.) ▶ **12.** _____
- 13.** Subtractions from attached Form 502SU ▶ _____ ▶ **13.** _____
- 14.** Two-income subtraction from worksheet in Instruction 13. ▶ **14.** _____
- 15.** Total subtractions from Maryland income (Add lines 8 through 14.) ▶ **15.** _____
- 16.** Maryland adjusted gross income (Subtract line 15 from line 7.) ▶ **16.** 42,432

All taxpayers must select one method and check the appropriate box.

**DEDUCTION
METHOD**

See Instruction 16.

- ▶ **STANDARD DEDUCTION METHOD** (Enter amount on line 17.)
- ▶ **ITEMIZED DEDUCTION METHOD** (Complete lines 17a and 17b.)
- 17a.** Total federal itemized deductions (from line 17, federal Schedule A) ▶ **17a.** _____
- 17b.** State and local income taxes (See Instruction 14.) ▶ **17b.** _____
- Subtract line 17b from line 17a and enter amount on line 17.
- 17.** Deduction amount (Part-year residents see Instruction 26 (l and m).) ▶ **17.** 2250

- 18.** Net income (Subtract line 17 from line 16.) ▶ **18.** 40,182
- 19.** Exemption amount from Exemptions area (See Instruction 10.) ▶ **19.** 3,200
- 20.** Taxable net income (Subtract line 19 from line 18.) ▶ **20.** 36,982

**MARYLAND
FORM
502**

**RESIDENT INCOME
TAX RETURN**



2019
Page 3

NAME Masaryk

SSN 306108301

MARYLAND TAX COMPUTATION	21. Maryland tax (from Tax Table or Computation Worksheet Schedules I or II) 21. <u>1704</u>
	22. Earned income credit (EIC) (See Instruction 18.) ▶ 22. _____
	<input type="checkbox"/> Check this box if you are claiming the Maryland Earned Income Credit, but do not qualify for the federal Earned Income Credit.
	23. Poverty level credit (See Instruction 18.) ▶ 23. _____
	24. Other income tax credits for individuals from Part AA, line 13 of Form 502CR (Attach Form 502CR.) 24. _____
	25. Business tax credits You must file this form electronically to claim business tax credits on Form 500CR.
	26. Total credits (Add lines 22 through 25.) 26. _____
27. Maryland tax after credits (Subtract line 26 from line 21.) If less than 0, enter 0. 27. <u>1704</u>	
LOCAL TAX COMPUTATION	28. Local tax (See Instruction 19 for tax rates and worksheet.) Multiply line 20 by your local tax rate .0 320 or use the Local Tax Worksheet 28. <u>1183</u>
	29. Local earned income credit (from Local Earned Income Credit Worksheet in Instruction 19.) . . 29. _____
	30. Local poverty level credit (from Local Poverty Level Credit Worksheet in Instruction 19.) . . . 30. _____
	31. Local tax credit from Part BB , line 1 of Form 502CR (Attach Form 502CR.) 31. _____
	32. Total credits (Add lines 29 through 31.) 32. _____
	33. Local tax after credits (Subtract line 32 from line 28.) If less than 0, enter 0 33. <u>1183</u>
	34. Total Maryland and local tax (Add lines 27 and 33.) 34. <u>2887</u>
CONTRIBUTIONS See Instruction 20.	35. Contribution to Chesapeake Bay and Endangered Species Fund ▶ 35. _____
	36. Contribution to Developmental Disabilities Services and Support Fund ▶ 36. _____
	37. Contribution to Maryland Cancer Fund. ▶ 37. _____
	38. Contribution to Fair Campaign Financing Fund ▶ 38. _____
	39. Total Maryland income tax, local income tax and contributions (Add lines 34 through 38.) . 39. <u>2887</u>
	40. Total Maryland and local tax withheld (Enter total from your W-2 and 1099 forms and attach if MD tax is withheld.) ▶ 40. _____
	41. 2019 estimated tax payments , amount applied from 2018 return, payment made with an extension request, and Form MW506NRS ▶ 41. <u>3000</u>
	42. Refundable earned income credit (from worksheet in Instruction 21) ▶ 42. _____
	43. Refundable income tax credits from Part CC, line 7 of Form 502CR (Attach Form 502CR. See Instruction 21.) 43. _____
	44. Total payments and credits (Add lines 40 through 43.) 44. <u>3000</u>
	45. Balance due (If line 39 is more than line 44, subtract line 44 from line 39. See Instruction 22.) ▶ 45. _____
	46. Overpayment (If line 39 is less than line 44, subtract line 39 from line 44.) ▶ 46. <u>113</u>
REFUND	47. Amount of overpayment TO BE APPLIED TO 2020 ESTIMATED TAX ▶ 47. _____
	48. Amount of overpayment TO BE REFUNDED TO YOU (Subtract line 47 from line 46.) See line 51. REFUND ▶ 48. <u>113</u>
AMOUNT DUE	49. Check here <input type="checkbox"/> if you are attaching Form 502UP. Enter interest charges from line 18 of Form 502UP _____ or for late filing _____ ▶ 49. _____
	50. TOTAL AMOUNT DUE (Add lines 45 and 49.) IF \$1 OR MORE, PAY IN FULL WITH THIS RETURN. INCLUDE FORM PV. 50. _____

Solution Case Study III – JWM

(For JMW's third J1 year in the U.S. on Form 1040)

Return Note for Form 1040

Tax-excluded portion of physician-trainee compensation from Form 1042-S

The U.S.-Czech Income Tax Treaty applies to this income. Taxpayer was a resident of the Czech Republic immediately before entering the U.S. on a J1 visa as a physician-trainee on April 24, 2017.

Taxpayer is claiming the 5-year exclusion of \$ 5,000 from taxable compensation provided in Article 21(1) of the U.S.-Czech Republic income tax treaty.

For his 2017 Form 1040-NR, taxpayer was in the U.S. for 8 months and excluded \$ 5,000.

For his 2018 Form 1040-NR, taxpayer was in the U.S. for 12 months and excluded \$ 5,000.

For this 2019 Form 1040, taxpayer was in the U.S. 12 months and may exclude \$ 5,000.

2019 Exclusion

Amount shown on Form 1042-S	\$42,400
Annual exclusion amount	\$5,000
Taxable compensation after exclusion	\$37,400

Potential Need for Withholding Return Note

Pay information forms for F, J, M, and Q visa holders are often on the wrong form. They may be on Form 1042-S long after they should have been on a W-2, or FICA may have been withheld incorrectly.

There is no place to specify on Form 1040 that Form 1042-S is the form on which withholding was reported on Form 1040.

If FICA was withheld when it should not have been, or was not withheld when it should have been, the employer should be asked to correct the situation. And a return note may be appropriate.

See book and index for how to address the situation if the employer does not correct the situation.

Return Note – State (MD) Quarterly Estimated Payments

Taxpayer pays timely quarterly estimated payments of \$ 750 per quarter, \$ 3,000 per year.

On the form, taxpayer deducts the 4th quarter payment for the prior year MD return, paid in January of this tax year, plus the first three quarters for this tax return year and paid during this tax year.

\$ 750 paid Jan 15, 2019 for 2018, and April, June, and September 15, 2019 for 2019.

On the MD state return, taxpayer enters all 4 quarterly payments made for this tax return year.

April, June, and September 15, 2019, and January 15, 2020.

Solution**Client History Preparer Note – Case Study III – JWM (FYI: do a similar note for CWM)**

Client JWM first entered the U.S. on a J1 visa on April 24, 2017. He has been a physician trainee at Berwyn Hospital since May, 2017.

He was a resident of the Czech Republic immediately before entering the U.S. He benefits from Article 21(1) of the U.S.-Czech Republic Tax Treaty. He may exclude from U.S. taxes \$ 5,000 annually of his compensation during training for five years (date-to-date) from his entry into the U.S. on the J1 visa.

He filed Form 1040NR and Form 8843 for the first two calendar years. They (2017, 2018) were in his eXempt period. He began counting days spent in the U.S. as days of presence for the SPT on January 1, 2019.

In 2019, he spent 365 days in the U.S., met the SPT, and will file on Form 1040. By the treaty, he will continue to exclude \$ 5,000 of compensation during training from taxable income through April 23, 2021.

In 2020, he expects to spend the full year in the U.S. and claim the full annual exclusion.

2021 holds the last four months of his 60-month (five year) exclusion period. If he works at least those four months as a physician trainee, he will exclude the lower of \$ 5,000 or his compensation during training during January through April.