

Alien Liability for Social Security and Medicare Taxes

The full text can be found at: <http://www.irs.gov/businesses/small/international/article/0,,id=129427,00.html>

In general aliens performing services in the United States as employees are liable for U.S. social security and Medicare taxes. However, certain classes of alien employees are exempt from U.S. social security and Medicare taxes as follows.

Nonresident aliens, in general, are also liable for Social Security/Medicare Taxes on wages paid to them for services performed by them in the United States, with **certain exceptions based on their nonimmigrant status**. The following classes of nonimmigrant's and nonresident aliens are exempt from U.S. Social Security and Medicare taxes:

F-visas, J-visas, M-visas, Q-visas. Nonresident Alien students, scholars, professors, teachers, trainees, researchers, physicians, au pairs, summer camp workers, and other aliens temporarily present in the United States in F-1, J-1, M-1, or Q-1/Q-2 nonimmigrant status are exempt on wages paid to them for services performed within the United States as long as such services are allowed by USCIS for these nonimmigrant statuses, and such services are performed to carry out the purposes for which such visas were issued to them.

Exempt Employment includes:

- **On-campus student employment** up to 20 hours a week (40 hrs during summer vacations)
- **Off-campus student employment allowed by USCIS.**
- **Practical Training student employment on or off campus.**
- Employment as professor, teacher or researcher.
- Employment as a physician, au pair, or summer camp worker

Limitations on exemption:

- The exemption does not apply to spouses and children in F-2, J-2, M-2, or Q-3 nonimmigrant status.
- The exemption does not apply to employment not allowed by USCIS or to employment not closely connected to the purpose for which the visa was issued.
- The exemption does not apply to F-1, J-1, M-1, or Q-1/Q-2 nonimmigrant's who change to an immigration status which is not exempt or to a special protected status.
- The exemption does not apply to F-1, J-1, M-1, or Q-1/Q-2 nonimmigrant's who become resident aliens.

The IRS has published regulations which stipulate that aliens who arrive in the United States on F, J, M, or Q visas will be assumed to be "NONRESIDENT ALIENS" but only to the extent that the assumption is consistent with the residency rules of section 7701(b) of the Code. Since the social security/Medicare tax exemption for foreign students, scholars, teachers, researchers, and trainees under the Code requires that the payee be a "NONRESIDENT ALIEN", then the social security/Medicare tax exemption ceases to exist at the point the payee becomes a "RESIDENT ALIEN" under the residency rules of section 7701(b) of the Code.

Thus, to summarize, both the Internal Revenue Code and the Social Security Act allow an exemption from social security/Medicare taxes to alien students, scholars, teachers, researchers, trainees, physicians, au pairs, summer camp workers, and other nonimmigrants who have entered the United States on F-1, J-1, M-1, Q-1, or Q-2 visas and who are still classified as NONRESIDENT ALIENS under the residency rules of the Internal Revenue Code. As discussed above, **this means that foreign students in F-1, J-1, M-1, Q-1 or Q-2 nonimmigrant status who have been in the United States less than 5 calendar years are still NONRESIDENT ALIENS and are still exempt from social security/medicare taxes.** This exemption also applies to any period in which the foreign student is in "practical training" allowed by USCIS, as long as the foreign student is still a NONRESIDENT ALIEN under the Code. **Foreign students in F-1, J-1, M-1, Q-1 or Q-2 nonimmigrant status who have been in the United States more than 5 calendar years are RESIDENT ALIENS and are liable for social security/Medicare taxes** (unless they are exempt from FICA under the "student FICA exemption").

For more information see: <http://www.irs.gov/businesses/small/international/article/0,,id=129427,00.html>