

NGAPS+ Tax Guidance

This guide on state and federal taxes is provided by NGAPS+ for informational purposes only. This guide is not official NASA GSFC recommendations, and GSFC is not responsible for the conditions and accuracy of the information provided. Links were gathered in March 2021.

Useful Tax Information and Tips

The following guidance is related to filing and paying taxes on your income from NASA or from your contractor, with additional information included below as well. The total amount of taxes you owe can vary greatly between person to person and depends on your specific situation, i.e., if you file as an individual or with a spouse, if you live in MD or DC or VA, if you have any taxable interest, if you pay down any loans (for example: student loans, mortgage), if you have dependents, if you are a foreign national and your corresponding residency status, etc. Therefore, comparing the amount of taxes you owe/pay with your colleagues is unlikely to help you gauge if you did your taxes correctly.

Unless you are a NASA Postdoctoral Position fellow (NPP), your employer will estimate and deduct federal and state taxes from every paycheck you receive (see the W-4 form; **For NPP specific tax information, see Section 3**). Because these are estimates, every year you **must** file your taxes, usually before April. You must file taxes to calculate the difference between the estimated amount of taxes you paid and what you truly owe. This process is necessary to determine if you underpaid your taxes to the Internal Revenue Service (IRS) and you need to pay more, or if you overpaid taxes during the year and the IRS owes you a refund. For most people, taxes are not complicated, but the whole thing can be very daunting if you don't have any familiarity with the forms you need to fill out. **Beware: filing federal and state taxes is compulsory, and not filing taxes can result in serious problems (including fines).**

Everyone will need to file taxes annually, **due by April 15 (unless otherwise noted by the IRS)**. This includes both federal taxes and state taxes. For some states, i.e. Maryland, you also need to file local taxes (for your county or city), which you will calculate using the state tax form. Keep a record of all taxes filed. The IRS and many states offer electronic filing (via e-file) options, so it would be prudent to download/make a copy of any taxes filed. Sometimes you may need to quote the Adjusted Gross Income (AGI) value from a previous year's tax filing as a security measure, so keeping all documentation will definitely prove useful. Additionally, there is also a small chance that your taxes will be audited, so it helps to keep full records of taxes filed (For how long to hold onto your records, see <https://www.irs.gov/businesses/small-businesses-self-employed/how-long-should-i-keep-records>). If you want to mail in your tax documents, please make sure to do it via registered/tracked mailing, as sometimes mail can get lost, and the IRS or state will have no record of you filing any tax forms. Note there may be a fee to file your taxes and this fee may vary depending on if you file electronically or by mail.

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To prepare and file your taxes (both federal and state), you can consult a tax professional for help if you wish (this may be especially useful for foreign nationals and/or NPPs), and/or you can use any number of tax preparation software. One of our authors once filed their taxes by hand in their first year, and it was a nightmare. Using tax preparation software simplified the process greatly. There are many useful tax preparation software that can be purchased, and also consult the IRS website (<https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>) for free filing options (especially for those making less than \$72,000).

For foreign nationals who are non-residents for tax purposes, you may need to declare your US income for taxes in your home country and in the US. Conversely, residents for tax purposes that receive an income in their home country may need to declare it to the US. Whether or not this is the case and what exact steps need to be taken depend on whether or not there is a tax treaty between the US and your home country, and the specific policies of the tax treaty. For example, some tax treaties avoid double taxing. Therefore, a non-resident for tax purposes might need to not only declare their US income to their home country, but also how much taxes they are paying in the US so that is accounted for in the calculation of the taxes that they owe their home country. This means, in principle, that person would need to fill out their US tax documents first to then be able to fill out their other tax documents in their home country. For more information on specific tax treaties with the US, see: <https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z>.

Lastly, while GSFC is in Maryland, many people choose to live instead in Virginia or DC. In addition, your contractor may also be located in a different state than either your primary residence or GSFC. In many other states, you will be subject to additional taxes if you are a resident in one state, but work in another. Due to the close proximity, Maryland has reciprocity with Virginia and DC to avoid double-taxation. However, it is worth checking your specific circumstances as to whether you qualify under this reciprocity. Information for Virginia residents can be found here: <https://www.tax.virginia.gov/reciprocity> and for DC residents here: <https://otr.cfo.dc.gov/page/individual-income-special-circumstances-faqs>. To complicate things further, as NPPs are not contracted employees, they may not qualify for this reciprocity and would have to pay taxes in Maryland and in the state that they reside (including DC). Seeking professional guidance on this may be useful.

1. Filing Federal Taxes

Everyone will need to complete a version of the IRS form 1040 (U.S. Individual Income Tax Return, see below for “non-residents for tax purpose”): <https://www.irs.gov/forms-pubs/about-form-1040>.

Contracted employees (i.e., with a contractor, university, etc. **but not NPP**) will receive a W-2 form from your employer. You use the information from the W-2 to fill in the income portion of your 1040 form. An NPP fellow will **not** receive a W-2 form, and instead will receive a 1099-MISC to complete their tax return. Since NPPs do *not* have to pay self-employment taxes,

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their income is not claimed in the same way it would be claimed for a 1099 self-employed individual, and is instead claimed as a fellowship/scholarship/award. Consulting a tax professional may be useful for NPPs filing taxes.

- **For foreign nationals:** The IRS makes a distinction between a “resident for tax purposes” versus a “non-resident for tax purposes”. As far as the authors are aware, the only difference here is where you have to make additional tax contributions to FICA (medicaid and social security taxes -- a useful link for further reading: <https://www.irs.gov/individuals/international-taxpayers/aliens-employed-in-the-us-social-security-taxes>) which is the case if you are a “resident for tax purposes” regardless of your visa status. You are considered a U.S. resident for tax purposes if you meet the substantial presence test. More information on “determining alien tax status” can be found here: <https://www.irs.gov/individuals/international-taxpayers/determining-alien-tax-status>. If you count as a “non-resident for tax purposes”, you can complete form 1040-NR (<https://www.irs.gov/forms-pubs/about-form-1040-nr>) along with form 8843 (“Statement for Exempt Individuals and Individuals with a medical condition”, <https://www.irs.gov/pub/irs-pdf/f8843.pdf>).

2. Filing State Taxes

State taxes can be done along with your federal taxes on the tax preparation software you may have purchased, but state taxes also need state-specific information. To the best of the authors’ knowledge, unlike the federal government, in general, states do not care about your nationality when filing state (and local) taxes. Instead, they want to know how long you have lived in that state for the purpose of residency status (so they tax you correctly). A “full year resident” is someone who lived in that state for the full calendar year. As such they will pay the full state (and local) tax. A “part year resident” means that you moved from another state into your current state at some point during the calendar year. In this case, you will pay a prorated amount of tax in each of the states you were resident in during that calendar year. For example, if you moved from D.C. into Maryland halfway through the last calendar year, you will pay 50% of the full D.C. state tax, and 50% of the full Maryland state and local tax. It is worth noting that state tax rates vary, with some having higher rates than others.

- Maryland: File Maryland state taxes using Maryland Form 502. See “Choose the Right Income Tax Form” on the website below:
 - <https://www.marylandtaxes.gov/individual/income/income-forms-index.php>

In addition to the other options for filing described previously, Maryland offers a free electronic service for state tax returns to those filing in Maryland. To complete, you will need information from your federal tax return; the following website describes what is needed and provides directions to file taxes:

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- https://interactive.marylandtaxes.gov/Individuals/iFile_ChooseForm/default.asp

More useful information on filing state taxes in Maryland can be found here:

- <https://www.marylandtaxes.gov/individual/income/filing/index.php>

On this page, information for foreign nationals is as follows:

“If you are required to file federal Form 1040NR (or 1040-NR-EZ) to the IRS as a nonresident alien, how you file your Maryland income tax return depends on whether you are a legal resident of Maryland or a nonresident.

If you were domiciled in Maryland on the last day of the tax year, or you maintained a place to live in Maryland and were physically present in Maryland for more than six months (183 days) of the tax year, then you are a legal Maryland resident. In that case, you must file a Maryland resident tax return for the full tax year, using [Form 502](#).”

- **Virginia:** File Virginia state taxes using Virginia Resident Form 760. Relevant forms and instructions can be found at:

- <https://www.tax.virginia.gov/forms/search?category=1&year=266>

Virginia only offers a free electronic service for state taxes to those who make under a certain income per year. Information on this and other filing options can be found here:

- <https://www.tax.virginia.gov/individual-income-tax-filing>

Information for foreign nationals residing in Virginia can be found on this website:

- <https://www.tax.virginia.gov/residency-status>

Towards the middle of the page: *“If you are a resident or nonresident alien required to file a federal income tax return, and you meet the definition of a Virginia resident, part-year resident, or nonresident and other filing requirements, you must file a Virginia return, unless exempted from the requirement by federal treaty.”*

- **DC:** File DC taxes using Form D-40. Links to forms and directions can be found by selecting the tax year of interest here:

- <https://otr.cfo.dc.gov/page/individual-income-tax-forms>

DC provides electronic services (not sure about cost) to file DC taxes only or DC + Federal taxes together at:

- <https://otr.cfo.dc.gov/node/378952>

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The authors were unable to find explicit information related to foreign nationals residing in DC, but on this website those who have to file a DC income tax return are listed here (see second question):

- <https://otr.cfo.dc.gov/page/individual-income-tax-filing-faqs>

The first bullet says “You were a resident of the District of Columbia and you were required to file a federal tax return. (A resident is an individual domiciled in DC at any time during the taxable year)”

3. NPP-Specific Tax Information: Quarterly Estimated Taxes

NPPs do not have taxes taken out of their stipend. This means that in addition to filing taxes once a year, NPPs will also have to pay quarterly state and federal estimated taxes. These are usually due in April, June, September, and January (exact due dates will be listed on each form). Note that these intervals are not at exact *quarters* throughout the year, so take this into account when you are budgeting. Late payments and underpayment could result in a penalty (see “Penalty for Underpayment of Estimated Tax” on:

<https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes>). Seeking professional guidance on this may be useful so that you know where to pay income tax. Since NPPs are not contracted employees, they may not qualify for reciprocity between Maryland-DC-Virginia. Relevant forms and information for Maryland, DC, and Virginia estimated taxes are below, and we urge you to keep in mind that NPPs may not qualify for reciprocity.

When filing your end of year taxes, you will need to state that you paid estimated taxes throughout the year and how much. Your tax liability will be calculated minus the total amount of estimated taxes you paid (this calculation is done separately for federal and state/local taxes). You must pay (or be refunded) any balance that is still on your account. The amount of estimated taxes that you must pay each quarter will vary based on your particular situation, location, and recent events (for example, if you lived in MD during quarters 1 & 2 and then moved to VA before 3 and 4 were due). However, each quarter you will want to approximately pay $\frac{1}{4}$ of your annual federal and state taxes. Checking with a tax professional is a good idea to ensure you are paying the appropriate amount. It is also a good idea to calculate how much your estimated payments will be per pay period (approximately $\frac{1}{12}$ of your total federal, state, and local taxes) and to put this money aside as soon as you are paid your monthly stipend.

State Estimated Taxes

- Maryland

It used to be 502-D, but now there may be no physical form and it looks like it must be submitted electronically

- o <https://marylandtaxes.gov/individual/tax-compliance/estimated-tax-payments-for-individual.php>

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- Includes an estimated tax calculator
- Payments are made through iFile (will need to make an account here: <https://interactive.marylandtaxes.gov/Individuals/IndivLogin/default.asp>)
- Virginia
Form 760-ES
 - o https://www.tax.virginia.gov/individual-income-tax-payment-options#blocktabs-individual_income_tax_payment_options-3
 - Can enroll for the online option here: <https://www.tax.virginia.gov/individual-estimated-tax-payments>
 - Section called “How to Estimate” further down on the page says an estimated payment worksheet is available on this online service
- DC
Form D-40ES
 - o <https://otr.cfo.dc.gov/node/1513731>
 - Worksheet to estimate quarterly tax payments are on Form D-40ES
 - o <https://otr.cfo.dc.gov/service/payment-options-individual-income-tax>
 - To pay online (and to register): <https://mytax.dc.gov/>

Federal Estimated Taxes

- For US citizens, resident aliens, and residents of Puerto Rico, Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands, and American Samoa (Form 1040-ES)
 - o <https://www.irs.gov/pub/irs-pdf/f1040es.pdf>
 - Worksheet and mail in forms for tax year 2021 (will need to print off new ones for each tax year)
 - o <https://www.irs.gov/payments>
 - Online payment options
- For Nonresident aliens (Form 1040-ES(NR))
 - o <https://www.irs.gov/pub/irs-pdf/f1040esn.pdf>
 - Worksheet and mail in forms for tax year 2021 (will need to print off new ones for each tax year)
 - o As of 2/2021, it does not appear there is an online payment option for the 1040-ES(NR) form