

# Country Information: USA

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### 1. I worked in the USA and paid taxes. Do I file a tax return?

Everybody who works abroad and pays income tax should file a tax return. Under certain conditions, you can receive a refund from some of the taxes you (your employer) paid. We refund **Federal tax and State tax** from selected states of the USA.

### 2. What taxes are paid in the USA?

The personal tax structure in the USA consists of several types of taxes:

- **Federal Tax**
- **State Tax**
- **Local Tax**
- **Social Security and Medicare Taxes**

The major tax is the **Federal Tax**. It is applied to all income earned by any individual working in the USA. The federal tax rate depends on the earned wage and can reach up to 25 %. If you worked using a J-1 visa or through a travel program, you usually pay 10-15 % Federal Income Tax.

### 3. What is “state tax”?

The **State Tax** is imposed in addition to the Federal tax. It is applied to all income earned by any individual working in the USA except in the following states: Alaska, Florida, Nevada, New Hampshire, South Dakota, Texas, Washington and Wyoming. The rate of the state tax depends on the given state and can reach up to 15 %. Some states also apply a different system of tax allowances. Therefore, it can happen that a different portion of the federal and state tax can be refunded.

### 4. What is “local tax”?

**Local Tax** charged on personal income is used in some states. This tax usually does not exceed 3 % of the income. In the majority of cases, this tax will not be levied on your income. The process of refunding local taxes is complicated and in some cases not possible at all.

## 5. What is “FICA”?

Social Security and Medicare Taxes can be deducted from your wage in some cases. Please have in mind that all people working with J1 visas are NOT subject to paying Social Security and Medicare Taxes, except those students who work in the USA for more than 183 days. These taxes need to be deducted from all US residents, as well as from all H2B visa participants and individuals treated like residents.

If your employer deducts these taxes from your wage, ask your employer to correct this mistake. The process of refunding Medicare and Social Security tax is longer and generally more problematic. You need to have your DS-2019 form, the exact name, address and phone number of your employer and if possible also the W-2 form from your employer.

## 6. What a “tax refund” means?

A **refund** means that your employer paid on your behalf more tax than was necessary, and you can get some of it back.

**By filing a tax return, you are actually reporting** to the U.S. Tax Office how much you earned as gross income and how much you paid on taxes while you stayed in the USA.

## 7. Why do some agencies claim that they will refund MORE tax overpayment for you than the others?

There is **no such a thing as “more refund”** on your taxes. Be careful, because this might be a marketing trick to attract you to sign a contract.

If a tax specialist does your tax return properly, according to the U.S. tax law, the **refund can be calculated in only one possible way!** If an agency applies tax deductions that you are NOT entitled to, your refund will increase on one hand (you will get back more money), but you are at a very high risk that you will have to pay it back to the Tax Office.

## 8. How much FEDERAL taxes are paid on your income?

The federal tax rate is between 10% to 37%. Non-resident taxpayers (foreigners working in the USA for part of the year) cannot apply for any personal exemption, which means that you have to pay tax from the first dollar earned.

<b>Taxable income</b>	<b>Tax due</b>
<b>0 - \$9,700</b>	10% of taxable income
<b>\$9,701 - \$39,475</b>	\$970 + 15% of the amount over \$9,700
<b>\$39,476 - \$84,200</b>	\$4,543 + 25% of the amount over \$39,475
<b>\$84,201 - \$160,725</b>	\$14,382.50 + 28% of the amount over \$84,200
<b>\$160,726 - \$204,100</b>	\$32,748.50 + 33% of the amount over \$160,725
<b>\$204,101 - \$510,300</b>	\$46,628.50 + 35% of the amount over \$204,100
<b>\$510,301 +</b>	\$153,798.50 + 39,6% of the amount over \$510,300

## 9. How much STATE taxes are paid from your income?

There are nine states where no state tax is paid. These states are: Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming, New Hampshire and Tennessee. In other states, tax rates vary and can reach up to 13.3 % in California for high income earners. For most states, including California, state taxes for low earnings read single digit flat rates.

## 10. What documents do you need for your tax refund?

In order to get your income tax refund as quickly as possible and to apply for the highest amount, you need to have:

- **A W-2 form or a copy of your final cumulative payslip** from each employer.
- A copy of your **Social Security Card** is required so that we know your **Social Security Number**.

## 11. What is a W2 form?

The **W-2** is a form that each employer has to give to his employees at the end of the year. The form reports the employee's annual wage and the taxes deducted from each paycheck. **US employers must send the Form W-2 to employees before January 31 of each calendar year.** The Form W-2 is not based on the fiscal year, but reports income on a calendar year (January 1 to December 31).

## 12. What is the Social Security Number?

**The Social Security Number (SSN)** is a nine-digit number issued to US citizens, permanent residents or temporary workers. Its primary purpose is to track individuals for the purposes of taxation. The Social Security Number proves that the employee is working legally. **Be careful and keep your Social Security Card safe.**

## 13. What if you do not have all the necessary documents?

**Even if you do not have all the documents mentioned above, you can still apply for your tax refund.** The only thing we will need is a correct Social Security Number. We offer a "replacement" service - we will contact your former employer/s and will request copies of your earning documents (wage slip) as your agent.

## 14. How many years back can I file my tax refund?

According to the IRS, you can go back as far as **4 years** from the year in which you applied.

### 15. How long does it take to get my tax refund?

On average **it takes 8 to 12 weeks for the federal tax returns and a minimum of 8 to 14 weeks for the State tax returns** to be processed by the tax offices. This is counted from the time your documents are received by the tax authorities. The actual time may vary on a case by case basis.

### 16. When is the deadline for filing a tax return?

Your **tax return should be filed at the U.S. Tax Office on April 15th at the latest.** This means that you have to send your tax return in such a way that both the Federal and State Tax Offices will receive your tax return by this date.

You should also **pay your taxes** by this date.

**If you do so later than this date**, you can be asked to pay a “Failure-to-file penalty” (in case the Tax Office receives your tax return later), or a “Failure-to-pay penalty” (in case you paid the taxes late).

### 17. What are the penalties for late tax return filing/tax paying?

If you need any information about the penalties for late tax return filing and late taxes paying, please check updated information on the **IRS website**.

### 18. Why is your tax calculation different from the actual Tax Office calculation?

In some cases, a tax official calculates the **tax on your Tax Return higher or lower than the Tax Office shows in the final calculation.**

What are the most frequent causes?

- The Tax Office had different data on your record (your employer reported different data than you have on your W-2 form)
- Your employer wrongly paid less/more than he/she was supposed to
- You may have some **debt/overpayment from the previous year**