Form 1042-S

In effort to maintain compliance with the IRS regulations, Montana State University Billings will collect and remit payment for U.S Federal taxes for scholarships that cover room, board, meal plans, and other personal expenses for international, non-resident students.

The 14% withholding for U.S. Federal taxes will be reflected as a charge on your student account in the semester to which it applies. The taxable scholarship and withholding will be reported on your form 1042-S in the year it was received.

International students may be exempt from scholarship tax withholdings if they are a resident for tax purposes. Students will be fully or partially exempt if they have been approved for a benefit under a treaty between their country of residence and the US.

Form 1042-S FAQs

What is a 1042-S form?
A form used to report to you and the IRS how much money you received in a calendar year and if any tax was withheld from those payments. The Form 1042-S is delivered to you by mail to your current
address on file. The Form 1042-S is made available to you after March 1st of each calendar year.

**Who gets a 1042-S form?**

*Not all international visitors will receive a 1042-S.* Only nonresident international students with scholarships that exceed qualifying tuition and fees or have independent contractor income (not payroll) will receive a 1042-S.

In addition, nonresidents and residents that received a tax treaty benefit on wages will receive a 1042-S.

- Individuals must claim a tax treaty benefit prior to being paid that allows all or part of your wages to be exempt from US federal income taxes.
- The amount of your income that is exempted under a treaty will be on your form 1042-S.
- Taxable Scholarship: only the portion that exceeds qualifying tuition and fees.
- Independent Contractor Income (not Payroll).

**Who is classified as an international, non-resident student?**

This generally means any student who is not a U.S. citizen, U.S. national, U.S. resident, Asylee, Refugee or Permanent Resident.

**What payments are reported on the 1042-S?**

- Nonqualified scholarships for expenses other than tuition. This includes portions of your scholarships, fellowships, or assistantships that is applied towards refunds, housing and meal expenses. The portion applied to your tuition fees are not counted as income.

- A Tax Treaty benefit, meaning that some, or all, of your salary was paid as exempt from Federal income tax by UC. You would have signed
a Form 8233 at some point at UC International Services to take advantage of a treaty benefit.

**What is a Tax Treaty?**
The United States has tax treaties with several foreign countries. Under these treaties, residents of foreign countries are taxed at a reduced rate or are exempt from U.S. federal and state taxes on certain types of income and/fellowship payments they receive from sources within the United States. These reduced rates and exemptions vary among countries and specific types of income. If the treaty does not cover a particular type of income, or if there is no treaty between your country and the United States, you must pay tax on that income. For the list of tax treaty countries and their treaties, reference the IRS Publication 901.