

**U.S. Estimated Tax for Nonresident
Alien Individuals****1994****Paperwork Reduction Act Notice**

We ask for the information on the payment vouchers to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete the worksheets and prepare and file the payment vouchers will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 40 min.; **Learning about the law**, 16 min.; **Preparing the worksheets and payment vouchers**, 59 min.; **Copying, assembling, and sending the payment vouchers to the IRS**, 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this package easier, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0087), Washington, DC 20503. **DO NOT** send the payment vouchers to either of these offices. Instead, see **How To Complete and Use the Payment Voucher** on page 2.

Purpose of This Package

If you are a nonresident alien, use this package to figure and pay your estimated tax. Estimated tax is the method used to pay tax on income that is not subject to withholding.

Do not use the payment vouchers in this package to notify the IRS of a **change of address**. If you have a new address, get **Form 8822**, Change of Address, by calling 1-800-TAX-FORM (1-800-829-3676). Send the completed form to the Internal Revenue Service Center where you filed your last return.

Who Must Make Estimated Tax Payments

Generally, you must make estimated tax payments if you expect to owe, after subtracting your withholding and credits, at least \$500 in tax for 1994, and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 1994 tax return, or
2. 100% of the tax shown on your 1993 tax return (110% of that amount if you are not a farmer or a fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 1994, more than \$75,000).

However, if you did not file a 1993 tax return or that return did not cover all 12 months, item 2 above does not apply.

Tax Law Changes Effective for 1994

Use your 1993 tax return as a guide in figuring your 1994 estimated tax, but be sure to consider the changes noted in this section. For more information on most of the following provisions and other changes that may affect your 1994 estimated tax, get **Pub. 553**, Highlights of 1993 Tax Changes.

Figuring Estimated Tax. The rules for figuring estimated tax based on your prior year's tax have changed. See **Who Must Make Estimated Tax Payments** on this page.

Expiration of Self-Employed Health Insurance Deduction. At the time this package went to print, the self-employed health insurance deduction was scheduled to expire December 31, 1993.

Business Meals and Entertainment. Beginning in 1994, the deductible portion of business meal costs and entertainment expenses has been reduced from 80% to 50%.

Club Dues. No deduction is allowed for amounts paid or incurred after 1993 for membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes business, social, athletic, luncheon, sporting, airline, and hotel clubs.

Travel Expenses. No deduction is allowed for travel expenses paid or incurred after 1993 for a spouse, dependent, or other individual accompanying you on business travel, unless that spouse, dependent, or other individual is your employee and the travel is for a bona fide business purpose and would otherwise be deductible by that person.

Earned Income Credit. The maximum earned income, income limitation, and credit amounts have been increased. But the health insurance credit and the extra credit for a child born during the year are no longer allowed. Also, new rules allow certain individuals without qualifying children to take the credit.

Charitable Contributions. Generally, no deduction is allowed for any charitable contribution of \$250 or more made after 1993, unless you obtain a written acknowledgement from the charitable organization.

Moving Expenses. For expenses incurred after 1993, the deduction for expenses of moving to a new home in connection with beginning work at a new location is allowed only if your new principal workplace is at least 50 miles farther from your former home than was your former principal workplace. In addition, deductible moving expenses are limited to the costs of moving your household goods and personal effects from your former home to your new home and transportation and lodging expenses en route from your former home to your new home. Meals, pre-move househunting expenses, temporary quarters expenses, and qualified real estate expenses are no longer deductible. Also, deductible moving expenses incurred after 1993 and reimbursed by your employer are no longer included in your gross income. Unreimbursed moving expenses that are deductible are claimed as an adjustment to income (i.e., these expenses are no longer claimed as itemized deductions).

Rental Real Estate Losses and Credits of Real Estate Professionals. For tax years beginning after 1993, certain individuals who materially participate in real property trades or businesses, and who perform more than one-half of their personal services and more than 750 hours of services during the year in those trades or businesses, are not subject to the passive activity limitations on losses and credits from rental real estate activities in which they materially participate. A real property trade or business means any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services performed as an employee are not treated as performed in a real property trade or business, unless the employee owns more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

To Figure Your Estimated Tax Use

- The **1994 Estimated Tax Worksheet** on page 3.
- The instructions below for the worksheet on page 3.
- The **1994 Tax Rate Schedule** on page 2 for your filing status*.
- Your 1993 tax return and instructions as a guide to figuring your income, deductions, and credits (but be sure to consider the tax law changes noted above).

If you receive your income unevenly throughout the year (e.g., you operate your business on a seasonal basis), you may be able to lower or eliminate the amount of your required estimated tax payment for one or more periods by using the annualized income installment method. See **Pub. 505**, Tax Withholding and Estimated Tax, for details.

*If you are married, you must generally use Tax Rate Schedule Y. For exceptions, get **Pub. 519**, U.S. Tax Guide for Aliens.

Instructions for Worksheet on Page 3

Line 7—Additional Taxes. Enter the additional taxes from **Form 4970**, Tax on Accumulation Distribution of Trusts, or **Form 4972**, Tax on Lump-Sum Distributions.

Line 9—Credits. See Pub. 553 and the 1993 Form 1040NR, lines 40 through 43, and the related instructions.

Line 11—Other Taxes. Enter any other taxes, such as tax on early distributions from a qualified retirement plan (including your IRA), annuity, or modified endowment contract (entered into after June 20, 1988); and alternative minimum tax. Do not include any deferral of additional 1993 taxes or recapture of a Federal mortgage subsidy. Also, do not include social security and Medicare tax on tip income not reported to your employer or uncollected employee social security and Medicare or RRTA tax on tips or group-term life insurance.