



**U.S. Estimated Tax for Nonresident  
Alien Individuals****1997****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.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

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**, 14 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 simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the payment vouchers to this address. 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**. Instead, use **Form 8822**, Change of Address.

You can order Form 8822 and other forms and publications by writing the Eastern Area Distribution Center, P.O. Box 25866, Richmond, VA 23286-8107, U.S.A. Or, if you have a computer and modem, use the World Wide Web and connect to <http://www.irs.ustreas.gov>. On the Internet, telnet to [iris.irs.ustreas.gov](http://iris.irs.ustreas.gov) or, for file transfer protocol services, connect to [ftp.irs.ustreas.gov](http://ftp.irs.ustreas.gov).

**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 1997, and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 1997 tax return, or
2. The tax shown on your 1996 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 1997, more than \$75,000).

However, if you did not file a 1996 tax return or that return did not cover all 12 months, item 2 above does not apply.

For this purpose, household employment taxes are not included when figuring the tax shown on your tax return and are not required to be included when figuring your estimated tax payments. However, you may choose to include these taxes when paying estimated tax to avoid a large balance due at the time your tax return is due.

**Tax Law Changes Effective for 1997**

Use your 1996 tax return as a guide in figuring your 1997 estimated tax, but be sure to consider the changes noted in this section. For more information on changes that may affect your 1997 estimated tax, see **Pub. 553**, Highlights of 1996 Tax Changes.

**Section 179 Expense Deduction Increased.** For 1997, the deduction to expense certain property under section 179 generally has been increased to \$18,000.

**New Savings Incentive Match Plans for Employees of Small Employers (SIMPLE Retirement Plans).** For tax years beginning after 1996, an employer (including a self-employed individual) who employs no more than 100 employees who received at least \$5,000 compensation from the employer in the prior year and who does not maintain another employer-sponsored retirement plan can adopt a SIMPLE retirement plan. Contributions to the plan generally are deductible by the employer and excludable from the employee's income. A SIMPLE plan, like an IRA, is not subject to tax. Distributions from the plan generally are taxed under the rules that apply to IRAs.

**Credit or Exclusion for Adoption Expenses.** A tax credit of up to \$5,000 (\$6,000 for a child with special needs) is allowed for qualified adoption expenses paid or incurred after 1996. To qualify, a married taxpayer must file a joint return, unless living apart from his or her spouse for the last half of the tax year. The credit generally is allowed for the year following the year the expenses were paid. However, the credit is allowed in the same year the expenses were paid or incurred if the expenses were paid or incurred in the year the adoption becomes final. No expenses for a foreign adoption qualify for the credit unless the adoption becomes final, and these expenses are taken into account only for the year the adoption becomes final. The credit begins to phase out for taxpayers whose modified adjusted gross income (AGI) is more than \$75,000, and is fully phased out for taxpayers with modified AGI of \$115,000 or more. Under rules similar to those for the credit, amounts paid by an employer under an adoption assistance program may be excludable from an employee's income.

**Self-Employed Health Insurance Deduction Increased.** For 1997, the self-employed health insurance deduction is increased to 40% of health insurance expenses.

**Medical Savings Accounts.** Beginning in 1997, self-employed individuals and eligible employees covered by a high-deductible health insurance plan may be eligible to open a medical savings account (MSA). Only a limited number of taxpayers will be eligible to participate in MSAs. Within limits, contributions to an MSA are deductible and are excludable if made by the employer of an eligible individual. Earnings from an MSA are tax deferred. Distributions from an MSA for medical expenses are not taxable.

**Long-Term Care Insurance.** Beginning in 1997, amounts received under a qualified long-term care insurance policy are excludable from income, subject to certain dollar limits. Also, premiums for long-term care insurance that do not exceed certain dollar limits and unreimbursed costs for long-term care are treated as medical expenses when figuring the itemized deduction for medical expenses.

**Credit for Increasing Research Activities.** You cannot take this credit into account when figuring your 1997 estimated tax.

**To Figure Your Estimated Tax Use**

- The **1997 Estimated Tax Worksheet** on page 3.
- The instructions below for the worksheet on page 3.
- The **1997 Tax Rate Schedule** on page 2 for your filing status.\*
- Your 1996 tax return and instructions as a guide to figuring your income, deductions, and credits.

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, see **Pub. 519**, U.S. Tax Guide for Aliens.

**Instructions for Worksheet on Page 3**

**Line 7—Additional Taxes.** Enter the additional taxes from **Form 4972**, Tax on Lump-Sum Distributions, or **Form 8814**, Parents' Election To Report Child's Interest and Dividends.

**Line 9—Credits.** See the 1996 Form 1040NR, lines 38 through 41, and the related instructions.

**Line 11—Other Taxes.** Except as noted below, enter any other taxes, such as alternative minimum tax, tax on accumulation distribution of trusts, and the tax on early distributions from (a) a qualified retirement plan (including your IRA), (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.

**Do not** include tax on recapture of a Federal mortgage subsidy, social security and Medicare tax on unreported tip income, household employment taxes, or uncollected employee social security and Medicare or RRTA tax on tips or group-term life insurance. These taxes are not required to be paid until your income tax return is due (not including extensions).