

**U.S. Estimated Tax for
Nonresident Alien Individuals****2002****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 to the Eastern Area Distribution Center, P.O. Box 85074, Richmond, VA 23261-5074, USA. Or, if you have a computer and modem, you can access the IRS Web Site 24 hours a day, 7 days a week, at www.irs.gov. For file transfer protocol, connect to ftp.irs.gov.

Who Must Make Estimated Tax Payments

Generally, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 2002 (after subtracting your withholding and credits) and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax on your 2002 tax return **or**
2. The tax shown on your 2001 tax return (112% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 2002, more than \$75,000).

However, if you did not file a 2001 tax return or that return did not cover all 12 months, item 2 above does not apply.

For this purpose, include household employment taxes (before subtracting advance EIC payments made to your employee(s)) when figuring the tax shown on your tax return if:

1. You will have Federal income tax withheld from wages, pensions, annuities, or other income effectively connected with a U.S. trade or business **or**
2. You would be required to make estimated tax payments to avoid a penalty even if you did not include household employment taxes when figuring your estimated tax.

Changes Effective for 2002

Use your 2001 tax return as a guide in figuring your 2002 estimated tax, but be sure to consider the changes noted in this section. For more information on the changes below and other changes that may affect your 2002 estimated tax, see **Pub. 553**, Highlights of 2001 Tax Changes.

Reduced Tax Rates. Most of the tax rates have decreased by ½% and the rate bracket amounts have increased. See the **2002 Tax Rate Schedules** on page 4.

Credit for Qualified Retirement Savings Contributions. You may be able to claim a credit of up to \$1,000 for qualified retirement savings contributions (for example, contributions to an IRA or 401(k) plan) if your modified AGI is \$50,000 or less.

Credit for Pension Plan Startup Costs. A general business credit of 50% of the qualified pension plan startup costs of an eligible employer may be allowed. The maximum credit is \$500. An eligible employer is generally one who had 100 or fewer employees in the preceding tax year. See section 45E for more details.

Credit for Employer-Provided Child Care Costs. A general business credit of 25% of the qualified child care facility costs plus 10% of the qualified child care resource and referral costs may be allowed. The maximum credit is \$150,000. See section 45F for more details.

Adoption Credit. The maximum adoption credit has increased to \$10,000 per adopted child. The credit is allowed only if your modified AGI is less than \$190,000.

Certain Credits No Longer Reduce Alternative Minimum Tax (AMT). The credit for child and dependent care expenses, mortgage interest credit, and District of Columbia first-time homebuyer credit no longer reduce AMT. However, the child tax credit, adoption credit, and the credit for qualified retirement savings contributions may reduce your AMT.

Student Loan Interest Deduction. The 60-month limit no longer applies. But you cannot take the deduction if your modified AGI is \$65,000 or more.

Traditional IRA Deduction Increased. You may be able to deduct up to \$3,000 (\$3,500 if age 50 or older at the end of 2002). If you are covered by a retirement plan, your modified AGI must be less than \$44,000 (less than \$64,000 if qualifying widow(er)) to take a deduction.

Self-Employed Health Insurance Deduction. You may be able to deduct up to 70% of your health insurance expenses.

Estimated Tax Safe Harbor for Some Taxpayers. The estimated tax safe harbor that is based on the tax shown on your 2001 tax return is 112% of that amount if you are not a farmer or fisherman and the AGI shown on that return is more than \$150,000 or, if married filing separately for 2002, \$75,000.

Standard Mileage Rate. The rate for business use of a vehicle has increased to 36.5 cents a mile. The rate for use of your vehicle for deductible moving expenses has increased to 13 cents a mile.

Disaster Relief Payments. Qualified disaster relief payments are excluded from gross income. Generally, such payments include the following amounts received as a result of a qualified disaster.

- Payments to cover personal, family, living, or funeral expenses.
- Payments for the repair or rehabilitation of a personal residence.
- Payments from common carriers made because of the physical injuries or death of an individual.
- Disaster payments received from a Federal, state, or local government or agency.

However, this exclusion does not apply to the extent any expense compensated by such payments was also compensated for by insurance or otherwise. For more details, see section 139.

Disability Income Exclusion. Gross income does not include amounts received as disability income attributable to injuries incurred as a direct result of any:

- Terrorist activity directed against the United States or any of its allies or
- Military action involving the U.S. Armed Forces and resulting from violence or aggression against the United States or any of its allies.

To Figure Your Estimated Tax, Use:

- The **2002 Estimated Tax Worksheet** on page 3.
- The instructions below for the worksheet on page 3.
- The **2002 Tax Rate Schedules** on page 4 for your filing status.*
- Your 2001 tax return and instructions as a guide to figuring your income, deductions, and credits (but be sure to consider the changes noted earlier).

If you receive your income unevenly throughout the year (for example, because 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.

To amend or correct your estimated tax, see **Amending Estimated Tax Payments** on page 2.

*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 1. Adjusted Gross Income. Use your 2001 tax return (Form 1040NR or 1040NR-EZ) and instructions as a guide to figuring the adjusted gross income you expect in 2002 (but be sure to consider the changes noted earlier).