

U.S. Income Tax Summary – Non-Resident Alien Taxpayers



Type of U.S. Source Income	General U.S. Tax Treatment (Subject to Treaty Modification)
Capital Gains (except U.S. real property gains and gains from the sale of a partnership interest)	Generally excluded from U.S. tax. If the NRA was in the United States for 183 days of more during the tax year, the net gain from sales or exchanges of capital assets is taxed at 30%. Capital gains are taxed also if they are effectively connected with a trade or business in the United States during the tax year.
Dividends	Excluded from NRA withholding tax.
Interest from Bonds or Other Debt Obligations	Taxable and subject to 30% withholding unless the portfolio interest exemption* or an income tax treaty applies.
Portfolio Interest	<p>Excludes interest paid to NRAs on bonds and other debt obligations held for investment if:</p> <ul style="list-style-type: none"> (i) The obligation identifies the payer (i.e., is in registered form); (ii) The payee is a foreign individual or entity and is the beneficial owner of income; and (iii) The foreign individual or entity provides a Form W-8 to the payer <p>See Forms W-8BEN, 1042 and 1042-S. Other portfolio exemptions apply. See Publication 515.</p> <p>*This exception does not apply if the foreign investor owns 10% or more of the U.S. corporation or partnership that issued the obligation. The exemption also generally does not apply to interest tied to the issuer's receipts, sales, cash flow, income, etc. Nor does this exception apply to registered debt convertible to bearer form. The portfolio interest exemption does NOT apply to withholding under FATCA, which went into effect beginning July 1, 2014.</p>
Capital Gains from the Sale of Real Estate	Under FIRPTA, such capital gains are taxed on a net basis. However, 15% withholding is on the gross sale price, unless seller applies for reduced certification. See Form 8288 and 8288-A.
Rental Income	Income generated by the use of U.S. real estate is subject to 30% withholding. However, a special election may be made to treat U.S. real property interests as ECI so tax may be paid on only the net income (income less deductions attributable to rental income). Timely U.S. tax returns must be filed to receive the benefit of this election.
Mutual Funds (the mutual fund will designate in writing which dividends are interest-related dividends or short-term capital gain dividends)	Certain interest-related dividends and short-term capital gain dividends from U.S. issuers are excluded from U.S. tax. These exclusions were made permanent by the Protecting Americans from Tax Hikes Act of 2015 (H.R. 2029). Long-term capital gain distributions are excluded from U.S. tax. The tax-exemption for capital gain distributions does not apply to NRAs who were in the U.S. for 183 days or more.