

April 2022

## International Students' Awareness of U.S. Tax Filings

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### Recommended Citation

Finley, Janene R.; Grossman, Amanda M.; and O'Shaughnessy, Denise (2022) "International Students' Awareness of U.S. Tax Filings," *International Journal for Business Education*: Vol. 163: No. 1, Article 1. Available at: <https://ir.library.illinoisstate.edu/ijbe/vol163/iss1/1>

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## International Students' Awareness of U.S. Tax Filings

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### ABSTRACT

*International students studying in the United States (U.S.) must follow many rules and regulations implemented by the federal government, including tax filing requirements. Generally, international students must file Form 8843 with the U.S. Internal Revenue Service (IRS) indicating that they are nonresidents exempt from taxation on worldwide income during their first five years in the U.S. In addition, they must file Form 1040-NR if they earn any taxable income in the U.S. This exploratory study examines the level of tax filing knowledge international students possess, as well as the characteristics of both international students and their educational institutions to ascertain if they may have a bearing on the students' knowledge of the U.S. tax filings that should be filed. Data suggest that governmental and educational institutions may wish to bolster the dissemination of educational tax materials; otherwise, perhaps a significant number of international students may not be compliant with current IRS regulations.*

**Keywords:** international students, tax compliance, tax knowledge, tax education, VITA

More than 8,600 universities and colleges welcome students from over 229 countries to study in the United States (U.S.) (Institute of International Education, 2020). From 2013 through 2018, the number of international students admitted annually to U.S. academic institutions through the F-1 visa program ranged from a high of over 640,000 in fiscal year 2015 to a low of over 360,000 in fiscal year 2018 (U.S. Department of State, Bureau of Consular Affairs, 2021). Moreover, 1.5 million international students with F-1 visa status were enrolled in U.S. institutions for the calendar year 2019 (Institute of International Education, 2020). According to Mingyu, Howell, and Smith (2020), the F-1 visa program leads to more highly educated migrants entering the U.S. than any other immigration program.

The entrance of these international students into the U.S. for academic study greatly benefits not only the students themselves, but also the U.S., since advocates of international education extol the

intellectual contributions of these foreign students in addition to the valuable influx of funds to universities during times of budget restraints from states (Bound, Braga, Khanna, & Turner, 2020). Notwithstanding these positive effects, international students face a long list of compliance requirements prior to entry and in the duration of their stay in the U.S. Years of experience administering the Volunteer Income Tax Assistance (VITA) program at two Midwest institutions suggest that international students tend to be uninformed regarding the proper filings required of them by the Internal Revenue Service (IRS).

Using exploratory statistical techniques on in-person survey data, the purpose of this study is twofold. First, this study determines international students' knowledge of the proper IRS filing requirements once they are residing in the U.S. – in other words, whether or not they are in compliance with U.S. tax law. Second, this study examines the characteristics of both international students and their educational institutions to ascertain if they have a bearing on the students' knowledge of the U.S. tax filings that should be filed. As expected, the results confirm that the vast majority of international students are uninformed regarding the proper U.S. tax filings, and therefore are not in compliance with the current IRS regulations. Concurrently, the students' country of origin, and whether or not they are studying in a private educational institution, may impact the students' knowledge of some tax forms.

Presently, it appears that no other literature addresses the F-1 visa holders' federal and state tax compliance responsibilities during their time in the U.S. This gap in the literature requires attention, as many international students appear ill informed as to their reporting requirements. The potential widespread non-compliance issue may have serious implications for the international students, their educational institutions, and also for U.S. government agencies. Specifically, non-compliance may lead to the suspension of student visas, increased tax liabilities and penalties, and lost governmental revenues. The findings of this study may serve as an impetus for improved educational outreach to foster greater tax knowledge and subsequently tax compliance for international students.

This article is divided into seven succeeding parts. In the second part, an overview of the visa process for international students is described. Part three discusses income tax reporting requirements. Part four provides a background on tax compliance and tax knowledge, as well as the research questions. Part five presents the study's method and part six presents results. The final section includes a summary and study implications.

### **Visa Process for International Students**

The F-1 academic student visa is issued to qualified students wishing to visit the U.S. temporarily to pursue a full course of academic study in approved schools by the Student and Exchange Visitor Program (SEVP) (U.S. Department of Homeland Security, 2021). These schools consist of elementary to university and graduate level programs (VisaGuide.World, 2021). The F-1 visa is considered temporary as specified in section 101(a)(15) of the Immigration and Nationality Act (INA) (Foreman & Monger, 2014), and students holding such a visa have a nonimmigrant status.

Potential international students must be accepted and enrolled in a full-time SEVP approved school before an F-1 visa will be issued. Authorized SEVP schools are approved under the Student and Exchange Visitor Information System (SEVIS) program implemented by U.S. Immigration and Customs Enforcement under the Department of Homeland Security (DHS). SEVP provides approval and oversight of schools authorized to enroll F-1 visa nonimmigrant students giving specific guidance to both schools and students regarding the requirements and procedures in maintaining their status (U.S. Department of Homeland Security, 2021). The SEVIS website offers interested students step by step detailed instructions from defining the F-visa status to specific requirements and processes for applying for the proper visa, what to expect during pre-arrival, on arrival, while in the U.S., and departure (U.S. Department of Homeland Security, 2021). These detailed guidelines explicitly emphasize visa holders must maintain the intended purpose of the visa and follow all regulations associated with that purpose (U.S. Department of Homeland Security, 2021).

As part of the application process, international students must demonstrate adequate financial resources to pay for the approved academic program and living expenses. Sufficient proficiency of the English language is an additional requirement for visa approval (U.S. Department of Homeland Security, 2021). Once confirmed, a designated school official completes Form I-20, Certificate of Eligibility for Nonimmigrant Student Status, which is included with the F-1 visa application (Special Requirements for Admission, Extension, and Maintenance of Status § 214.2(f)(1)(i)(A), 2021). Upon F-1 visa approval, students are granted a duration of stay in the U.S. to complete the authorized program of study, in addition to a post-graduation period of practical training if requested, plus sixty grace days to prepare for departure (U.S. Department of Homeland Security, 2021). Spouses and minor children of the F-1 visa holder may accompany the student with an approved F-2 visa (Special Requirements for Admission, Extension, and Maintenance of Status § 214.2(f)(3), 2021).

Throughout the duration of the approved participation in the U.S. education system, SEVIS tracks and monitors schools, programs, students, exchange visitors, and their dependents. Schools are required to regularly submit up-to-date student information regarding student status and required attendance (Israel & Batalova, 2021). SEVIS is further used as a mechanism in identifying visa violators for authorities to enforce revocation of the visa and removal from the U.S. (U.S. Department of Homeland Security, 2021). The SEVIS website impressively serves as a one stop informational site. However, the site offers limited information pertaining to federal requirements by the U.S. Department of Treasury, including the IRS (U.S. Department of Homeland Security, 2017).

### **Income Tax Reporting Requirements**

F-1 visa holders are permitted to work during their stay in the U.S. Employment must be on campus and limited to twenty hours per week during the semester and full-time during breaks, holidays, and school vacations (Larkins, 2000; Special Requirements for Admission, Extension, and Maintenance of Status § 214.2(f)(9)(i), 2021). There are very few exceptions to this rule (Special Requirements for Admission, Extension, and Maintenance of Status § 214.2(f)(9)(ii), 2021). Family members with F-2 visa status accompanying students are not allowed to engage in any type of U.S. employment (Larkins, 2000; Special Requirements for Admission, Extension, and Maintenance of Status § 214.2(f)(15), 2021). Federal

and state income tax must be paid on income earned in the U.S. Although F-1 visa holders are here temporarily, they are required to pay taxes and file required tax returns on earnings not exempt by tax treaties. Tax treaties may exempt a limited amount of earned income and scholarships (Larkins, 2000). Otherwise wages earned, scholarships and grants, income from stock options, lottery or gambling winnings, and any other types of non-wage income are taxable under the Internal Revenue Code (Larkins, 2000).

The U.S. may assess taxes on all income of every U.S. citizen whether the citizen lives within the U.S. or another country. U.S. tax law refers to individuals who are not U.S. citizens as aliens, and the taxation of these individuals depends on whether they reside within the U.S. Aliens are considered to be U.S. residents if certain residency requirements are met, and they are taxed on all income in the same manner as U.S. citizens (Larkins, 2000). However, nonresident aliens are taxed only on U.S. source income and income that is effectively connected with a U.S. trade or business. In other words, the U.S. generally does not tax the foreign source income of nonresidents (Larkins, 2000).

Whether an individual is deemed a U.S. resident or a nonresident depends on if they are considered a lawful permanent resident of the U.S. and meet the substantial presence test (Internal Revenue Code §7701(b), 2021). The substantial presence test is defined by being physically present in the U.S. at least: (1) 31 days in the current year, and (2) 183 days during the 3-year period including the current year and prior 2 years using a specific formula (Internal Revenue Service, 2021a). This formula adds the number of days present in the current year with one-third of the days present in the prior year and one-sixth of the days present in two years prior. (Internal Revenue Service, 2021a). If the test is not met, the individual is considered to be a nonresident. Absent a special provision, by this definition most international students attending U.S. schools each year would be classified as U.S. residents under the substantial presence test and therefore subject to U.S. taxation on all income, foreign and domestic.

International students are awarded an “exempt individual” status for the first five calendar years while in the U.S. whereby they are exempt from U.S. residency status regardless of the number of days present in the U.S (Days of Presence in the United States that are Excluded for Purposes of Section 7701(b), 26 C.F.R. § 301.7701(b)-3(b), 1997). Students are thus able to avoid taxation on their foreign income sources. For this exemption and as an additional F-1 visa compliance measure, the IRS requires every F visa holder to file an annual Form 8843, “Statement for Exempt Individuals and Individuals with a Medical Condition” whether income was earned or not (Internal Revenue Service, 2021b). In addition, individuals who are exempt must pay taxes on U.S. source income. To report this income, those individuals must file IRS Form 1040-NR, “U.S. Nonresident Alien Income Tax Return” (Internal Revenue Service, 2021c).

### **Tax Compliance and Tax Knowledge**

Previous research defines noncompliance as failing to meet tax-reporting requirements by failure to submit a tax return, required forms, or not reporting income adequately (Baldry & Kasipillai, 1996; Abdul-Jabbar & Pope, 2008). Research also reveals lack of compliance can be either intentional or unintentional (McKerchar, Bloomquist, & Pope, 2013; Kirchler, 2007). In turn, lack of compliance may be

traced to an inadequate knowledge of tax regulations (e.g., Palil, Akir, & Ahmad, 2013). These interlinking concepts are discussed at length below.

### ***The Self-Assessment System***

The U.S. tax structure operates under a voluntary compliance, self-assessment system in which citizens or individuals residing within the U.S. are held accountable in determining their own tax requirement responsibilities. Under a voluntary compliance system, taxpayers are required to fulfill government obligations on their own to meet enforced directives and regulations that can result in penalties for inaccuracy or noncompliance (Young, Lei, Wong, & Kwok, 2016; Tilahun & Dagnaw, 2014). This self-assessment style system amplifies tax awareness as playing an important role in tax compliance among taxpayers (Kamaluddin & Madi, 2005; Choong & Wong Sek Khin, 2011). The ability for taxpayers to assess their tax obligations correctly and file required tax forms in a timely manner can therefore be dependent on the level of tax education and tax knowledge of the taxpayer (Palil et al., 2013). For example, studies conducted in Malaysia (Loo & Ho, 2005; Loo, 2006; Loo, McKerchar, & Hansford, 2008; Loo, McKerchar, & Hansford, 2009) suggest tax knowledge as the most influential variable in determining taxpayers' compliance behavior under a self-assessment system.

Self-assessment systems may also be considered complex to inexperienced taxpayers. A study conducted by Natrah Saad (2014) with New Zealand taxpayers emphasizes the increasing importance of awareness of tax laws for successful tax filing. Results indicate tax knowledge and tax complexity are contributing factors to non-compliance behavior among taxpayers with inadequate understanding of a complex tax system. Several other researchers have found a positively significant relationship between tax knowledge and tax compliance. One investigation into tax compliance behavior under the self-awareness system in Malaysia by Palil (2010) finds tax knowledge significantly driving tax compliance even at various knowledge levels. In a study with participants experiencing Africa's self-assessment system, Berhane (2011) finds that tax compliance is positively influenced by tax education. Further studies conducted in Indonesia demonstrate that the understanding of tax responsibilities increases taxpayers' compliance (Siregar, Amarullah, Wibowo, & Anggraita, 2012).

### ***Tax Knowledge***

Tax knowledge is an essential element in a voluntary compliance tax system (Kasipillai, 2000). Tax knowledge is defined in terms of taxpayers' responsibilities and obligations in filing required tax forms through an understanding or awareness of the rules and regulations required by the tax law (e.g., Bardai, 1992; Eriksen & Fallan, 1996). Bornman and Ramutumbu (2019) elaborate on the definition of tax knowledge to include aspects of general fiscal awareness and an understanding of the requirements and processes to be in continual compliance especially with specific tax rules and changing legislation. Palil et al. (2013) validate this significant relationship between tax knowledge and tax compliance behavior by finding tax compliance to be lower compared to the respondent's level of education and knowledge of tax laws. Eriksen and Fallan (1996) also find individuals tend to be more compliant in tax filings when a reasonable understanding of tax laws was experienced. Eriksen and Fallan's (1996) findings are verified by Kasipillai, Aripin, and Amran (2003), who show that education was found to positively influence the attitudes towards tax avoidance and tax evasion among Malaysian

undergraduates. Several other studies further empirically establish that possessing tax knowledge leads to higher compliance rates (Kasipillai & Abdul Jabbar, 2003; Kirchler, Niemirowski & Wearing, 2006).

Moreover, the absence of tax knowledge may lead to noncompliance behavior among taxpayers, either intentionally or unintentionally. Using data from the Statistics of Income Panel (SOI) and IRS annual reports, Dubin, Graetz and Wilde (1990) find that the level of education has no effect on compliance, but it significantly increases the chances of tax filings. The researchers ascertain that less educated individuals may fail to be in compliance only due to inadequate information on how to fulfill their tax obligations. Goddeeris, Martin, and Young (1988) add further support of these findings through a review of the characteristics of participants in Michigan's tax amnesty of the mid-1980s. Students and the elderly were found to be overrepresented as non-filers. Godderris et al. (1988) conclude that the lack of compliance by these two groups was due to insufficient understanding of tax requirements.

A study by McKerchar (1995) shows small business owners in Australia were not even aware of their inadequate tax knowledge, which unintentionally led to non-compliance behavior. McKerchar (2003) further exposes the effects of unintentional non-compliance by identifying lack of tax knowledge as a common problem faced by taxpayers in trying to understand tax forms, instructions and other relevant correspondence provided by taxing agencies. International students visiting the U.S. may be exposed to this consequence due to lack of awareness. Durodola, Fusch, and Tippins (2017) studied how Canadian immigrants obtain financial and tax information. The researchers discovered that the immigrants gain their knowledge from questionable sources, which tend to be inaccurate and unreliable.

If tax knowledge encourages greater tax compliance, then tax education becomes a necessary presumptive measure to increased knowledge. Numerous studies demonstrate the increase in tax education results in an increase of tax compliance, and key research demonstrates tax knowledge plays an important role in order to increase the level of tax compliance (e.g., Richardson, 2006; Kirchler, Hoelzl, & Wahl, 2008). For example, Murphy (2004) found tax education as a key variable that influences tax compliance behavior. Tax education, if found to increase taxpayers' understanding of taxation laws, in turn increases their ability to follow those laws (Kasipillai et al., 2003). Park and Hyun (2003) find tax education as an effective tool in equipping individuals with sufficient knowledge resulting in competent taxpayers. Research suggests that once taxpayers have an adequate understanding of basic tax laws, they are more than willing to comply (Mohamad, Ahmad, & Deris, 2010).

The cited research clearly demonstrates that a voluntary compliance tax system inherently places a burden on the taxpayer to actively acquire the necessary tax knowledge to remain in compliance, and it therefore follows that noncompliance is derived from uninformed, or misinformed, taxpayers. Considering the critical driver of tax compliance is tax knowledge, the present study seeks to determine if current international students within the U.S. possess such tax knowledge. Additionally, the study seeks to determine if certain aspects of the students themselves, or the educational institution that they attend, foster increased tax knowledge. Therefore, the following research questions are posed:

**Research Question 1:** Do international students possess adequate tax filing knowledge to be in compliance with U.S. tax laws?



**Research Question 2:** Do certain international student characteristics lead to greater tax filing knowledge?

**Research Question 3:** Does the type of educational institution, public or private, lead to greater tax filing knowledge?

## Method

### Participants

International student participants were drawn from two sources. The first source was the students' voluntary attendance at a tax compliance presentation, tailored to address their specific tax issues. Although a gift card incentive was offered to encourage attendance, relatively few international students took advantage of this opportunity. The second source was soliciting participation from international students attending VITA sessions at one university. Since the second source yields a captive audience, survey volunteers were more prolific. Because the survey asks participants about their knowledge of certain tax forms, the survey must be completed under supervision; otherwise, participants might engage in internet searches or ask other persons for assistance. Survey participation was solicited from three academic institutions.

The characteristics of the 101 survey participants are summarized in Table 1. Fifty-five are male. Most participants, 48, designated their age between 23 and 30, although the age category between 18 and 22 closely follows, with a count of 42. Seventy-eight percent of the participants were in the process of completing a degree in the U.S., the majority of those degrees were evenly split between a baccalaureate or a masters. Thirty-three percent of participants attended a private university. Forty percent of the participants reported no gross income in 2018, with only 19 reporting gross income of \$5,000 or higher. Ninety percent hold an F designation visa, and participants are more likely than not to either renew their visa or apply for permanent residency in the U.S. The average duration of residency in the U.S. is 2.2 years, and countries most represented by participants include China and India.

Table 1

*Summary of Study Participant Characteristics*

Characteristic	Descriptor
<b>Gender</b>	<b>Count</b>
Male	55
Female	46
Total	101
<b>Age</b>	<b>Count</b>
18-22	42
23-30	48
31 or above	11
Total	101



<b>Completing a Degree in the U.S.?</b>	<b>Yes</b>	<b>No</b>
<i>If so, which degree?</i>	79	19
Baccalaureate	35	
Masters	32	
Doctorate/Other	12	
<b>Type of Educational Institution</b>	<b>Count</b>	
Public	65	
Private	33	
No Response	3	
Total	101	
<b>2018 Gross Income</b>	<b>Count</b>	
None	40	
Less than \$1,000	13	
Between \$1,000 and \$5,000	27	
Between \$5,000 and \$10,000	10	
Greater than \$10,000	9	
No Response	2	
Total	101	
<b>How likely is it that you will apply...</b>	<b>to Renew Visa?</b>	<b>for Permanent Residency?</b>
Scale from (1) not at all to (5) definitely	3.45	3.06
<b>How many years in the U.S.?</b>	<b>Mean</b>	<b>Std. Dev.</b>
Possible responses: 1, 2, 3, 4, 5, or over 5	2.22	1.528
<b>Proficiency with English?</b>	<b>Mean</b>	<b>Std. Dev.</b>
Scale from (1) poor to (4) excellent	3.17	0.825
<b>Type of visa</b>	<b>Count</b>	
F	90	
J or Other	10	
No Response	1	
Total	101	
<b>Country of Citizenship (I-20 document)</b>	<b>Count</b>	<b>Percent</b>
China	17	17%
India	14	14%
No Response	14	14%
South Korea	10	10%
Canada	9	9%
Belize	6	6%
Other (counts of 5 or under)	31	30%
Total	101	100%

### **Survey Instrument**

Participants completed a six-page paper-based survey, which was distributed under the supervision of either the authors or their representatives. The survey was divided into four sections: history with U.S. tax filings, plans to file, knowledge of U.S. tax filings, and demographic information. Use of the survey was cleared through each of the participating universities' Institutional Review Boards.

In the first section of the survey, participants were asked if they had previously filed any U.S. tax documents. If so, they were asked to indicate the filing method: VITA, another preparer (e.g., an accounting firm), online using tax software (and what software they used), or by hand and mailed. Next, participants were asked to characterize their confidence with the accuracy of prior filings. In the second section of the survey, participants were asked to provide the method they plan to use in filing U.S. tax documents this year (i.e., what method they would use in 2019 to file for the 2018 fiscal year). The same response options were provided as in the first section.

In the third section, participants were asked about their status with regards to IRS Form 8843, "Statement for Exempt Individuals and Individuals with a Medical Condition." The options of awareness included: not aware, filed in the past but do not intend to file this year, filed in the past and intend to file this year, aware this year but do not intend to file, or aware and intend to file. Participants were also asked to rate the following statements as true or false: I do not have to file Form 8843 if I do not earn any income; not only do I have to file Form 8843 but so do my dependents. Next, the survey inquired about participants' status with regards to IRS Form 1040-NR, "Nonresident Alien Income Tax Return." The same options for this form were duplicated from those of Form 8843, save the question regarding dependents.

Participants were then asked to rate, on a scale from 1 (not at all) to 5 (definite), how likely it is that international students who do not file properly will be contacted by the IRS and that international students who do not file properly will be unable to renew their visa. Participants were also asked to identify their sources of information on U.S. tax filings by choosing one item from a listing of; not knowing anything about U.S. tax filing requirements, VITA, internet search, friends or peers, teachers or family, the international student office (or the equivalent), or another source not listed (they were asked to provide this source). Lastly, participants were asked to rate the effectiveness of the international student office in communicating U.S. tax filing requirements on a scale of 1 (not at all) to 5 (excellent).

In the fourth and final section of the survey, participants were asked to provide some demographic information. First, they rated, on a scale from 1 (not at all) to 5 (definite) both how likely it was that they would apply to renew their visa and also that they would apply for permanent residency in the U.S. Other demographic questions included gender, age, country of citizenship (as listed on their I-20 document, "Certificate of Eligibility for Nonimmigrant Status"), how many years in residence in the U.S., the type of visa currently held, and their level of English proficiency.

Additional questions related to their academic studies, including: whether they already held a degree and what type, if they are currently working on a degree in the U.S., and what type, their current major or area of study, and what type of educational institution they are currently attending (public or

private). The final question asked participants to categorize their total gross income for 2018, within the following categories: none, less than \$1,000, between \$1,000 and \$5,000, between \$5,000 and \$10,000, and over \$10,000. Free-form comments were solicited at the close of the survey.

## Results

Table 2 presents the general findings generated from participant responses. A large constituency of participants, 73%, indicated that they had never filed any U.S. tax documents. Of those who had filed in the past, 59% used VITA. This is not a surprising outcome, considering that VITA sessions constituted the major source of survey participation. For the two participants who indicated that they had previously filed U.S. tax documents online, they used TurboTax®. Unfortunately, 80% of previous filers were not confident in the accuracy of their filings. Turning to tax filings for the current year, 50% indicated that they plan to use VITA; 30% indicated they would use software (ten provided more detail with Sprintax® or don't know) or file by hand. Tellingly, 14% indicated that they would not file because they are not required to do so.

Next, in examining a required tax filing for international students, 78% were not aware of Form 8843. Additionally, 13% indicated that they do not have to file the form without earning income and 9% indicated that they do not have to file the form without a tax return. With regards to whether dependents are required to file Form 8843, 11% of participants indicated that they do not. While these responses are all incorrect, it is difficult to parse out guessing responses to queries regarding Form 8843. Considering the percentage of participants who were not aware of the form, further inquiry into the particulars of the form produced mostly a response of "I don't know."

A majority of participants, 73%, were also not aware of Form 1040-NR. Consequently, 62% did not know if it should be filed with or without earning income. Participants believed that, for those international students who did not properly file tax documents, the IRS is slightly unlikely to initiate contact. Finally, participants believed that those students who did not file tax documents correctly are only slightly less able to successfully renew a visa.

In determining the sources participants used to attain any knowledge regarding U.S. tax filings, the most frequent response reflected no knowledge of these filings (40). The second most frequent response were VITA (26) and in conjunction with friends or peers (26). Falling only slightly below these two benchmarks was the International Student Office (24). Teachers and family (14) fell below the International Student Office, and the internet below this (11). Despite the evidence of participants' lack of knowledge, they nonetheless indicated that the International Student office does a pretty good job in communicating filing requirements.

Table 2  
General Survey Findings

<b>Section 1: History with U.S. Tax Filings</b>					
<i>Have you ever filed tax documents?</i>	Yes	No			
	27	74			
<i>What method did you use to file in the past?</i>	VITA	Preparer	Online	By Hand	
	16	4	2	5	
<i>How confident are you that you filed correctly?*</i>	Filed Incorrectly	Not sure	Filed Correctly		
	2	22	6		
<b>Section 2: Plans to File</b>					
<i>What method will you use to file this year?</i>	None	VITA	Preparer	Software	By Hand
	14	51	6	15	15
<i>Status on IRS Form 8843</i>	Not aware	Not file	Will file	No response	
	79	4	16	2	
<i>I do not have to file IRS Form 8843 without income</i>	True	False	Don't Know	No response	
	13	21	51	16	
<i>I do not have to file IRS Form 8843 without tax return</i>	True	False	Don't Know	No response	
	9	19	70	3	
<i>Dependents also have to file IRS Form 8843</i>	True	False	Don't Know	No response	
	16	11	71	3	
<i>Status on IRS Form 1040-NR</i>	Not aware	Not file	Will file	No response	
	71	7	21	2	
<i>I do not have to file IRS Form 1040-NR without income</i>	True	False	Don't Know	No response	
	17	16	62	6	
<i>How likely is it that international students who don't file properly will be... Scale from (1) not at all to (5) definite</i>	Contacted by the IRS?	Unable to renew visa?			
	2.88	3.06			

<b>Section 3: Sources of Knowledge of U.S. Tax Filings</b>					
<i>What is the primary source of your knowledge?*</i>	<i>None</i>	<i>VITA</i>	<i>Internet</i>	<i>Friends/Peers</i>	<i>Teachers/ Family</i>
	40	26	11	26	14
<i>What is the primary source of your knowledge, cont.?</i>	<i>International Student office</i>	<i>Another Source (Church)</i>			
	24	2			
<i>Howe effective is the ISO in communicating filing requirements?</i>					
Scale from (1) not at all to (5) excellent	3.42				

\*Evidently, some participants responded to this question in error, as only 27 indicated they had previously filed tax information.

\*\*Some participants indicated more than one source, instead of choosing a primary source.

Collectively, these results indicate that international students seem generally uninformed regarding the particulars of U.S. tax filings. However, an exploratory analysis was conducted to determine if certain participant or institutional characteristics foster an increase in awareness of certain tax forms. Participant characteristics under examination include: income, country of origin, gender, and age. The institutional characteristic under examination is whether the university is public or private. Table 3 provides the summary statistics.

The first analysis addresses whether students who earn income are more likely to be aware of tax forms. Due to a relatively uneven distribution across the five categories of income, the responses were collapsed into two groups: those students who reported having no income (n=40) and those students who reported having any amount of income (n=58). Regarding Form 8843 (see Table 3, Panel A), students who reported awareness numbered 20 (Aware), whereas students who reported no awareness the form numbered 78 (Not Aware). A chi-square test was utilized to determine if an association exists between these two categorical variables. The results,  $\chi^2(1) = .182$ ,  $p = .670$ , indicate that whether students have income or not has no significant bearing on whether or not they are aware of Form 8843. In computing the odds ratio of students with income to students without income (.81), it appears that students with income are slightly less likely to be aware of the form than those students without income.

With regard to Form 1040-NR (see Table 3, Panel B), students who reported awareness numbered 28 (Aware), whereas students who reported no awareness of the form numbered 70 (Not Aware). The results of the chi-square test,  $\chi^2(1) = .004$ ,  $p = .948$ , indicate that whether students have income or not has no significant bearing on whether or not they are aware of the form. The odds ratio of students with income to students without income (1.03) shows that those students with income are slightly more aware of Form 1040-NR.

Table 3

## Exploratory Chi-Square Tests

<b>Panel A. Aware of IRS Form 8843</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
No Income	31	9	40	.182 (df = 1)	.670
Income	47	11	58		
Total	78	20	98		
<b>Panel B. Aware of IRS Form 1040-NR</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
No Income	28	11	39	.004 (df = 1)	.948
Income	42	17	59		
Total	70	28	98		
<b>Panel C. Likely to Have Filed</b>					
	Not Filed	Filed	Total	Chi-Square Statistic	Sig.
No Income	31	9	40	.771 (df = 1)	.380
Income	41	18	59		
Total	72	27	99		
<b>Panel D. Aware of IRS Form 8843</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
China	12	5	17	2.172 (df = 2)	.338
India	12	1	13		
South Korea	8	2	10		
Total	32	8	40		
<b>Panel E. Aware of IRS Form 1040-NR</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
China	13	4	17	8.121 (df = 2)	.017
India	13	0	13		
South Korea	5	5	10		
Total	31	9	40		
<b>Panel F. Aware of IRS Form 8843</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
Male	46	8	54	2.139 (df = 1)	.144
Female	33	12	45		
Total	79	20	99		

<b>Panel G. Aware of IRS Form 1040-NR</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
Male	40	13	53	.793 (df = 1)	.373
Female	31	15	46		
Total	71	28	99		
<b>Panel H. Aware of IRS Form 8843</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
18-22 years old	32	9	41	.133 (df = 1)	.716
23 or older	47	11	58		
Total	79	20	99		
<b>Panel I. Aware of IRS Form 1040-NR</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
18-22 years old	29	13	42	2.560 (df = 1)	.613
23 or older	42	15	57		
Total	71	28	99		
<b>Panel J. Aware of IRS Form 8843</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
Public	54	10	64	2.866 (df = 1)	.090
Private	23	10	33		
Total	77	20	97		
<b>Panel K. Aware of IRS Form 1040-NR</b>					
	Not Aware	Aware	Total	Chi-Square Statistic	Sig.
Public	53	12	65	8.618 (df = 1)	.003
Private	17	15	32		
Total	70	27	97		

The second analysis addresses whether those students who reported any income are more likely to have filed any U.S. tax documents (see Table 3, Panel C). Students who reported filing numbered 27 (Filed), whereas students who reported not filing numbered 72 (Not Filed). The chi-square test results,  $\chi^2(1) = .771$ ,  $p = .380$ , indicate that whether students report income or not has no significant bearing on whether or not they have filed. However, this may be a skewed statistic – if a student arrived in the fall, the spring in which this survey was administered may represent the first time the student need worry about filing.

The third analysis addresses whether the student's country of origin affects awareness of U.S. tax documents. Only those responses from students in China, India, and South Korea were explored, as no critical mass was reached in any other country, and creating an artificial "catch-all" category for other countries would be meaningless. With regard to knowledge of Form 8843 (see Table 3, Panel D), results



indicate that no group retained significantly different knowledge of the form than any other,  $\chi^2(2) = 2.172$ ,  $p = .338$ . Proportionally, however, the ratio of those Chinese students who are not aware of the form to those who are aware of the form is lower (2.4) than the same ratio for both India (12.0) and South Korea (4.0). With regard to knowledge of Form 1040-NR (see Table 3, Panel E), a significant difference is found among the three countries:  $\chi^2(2) = 8.121$ ,  $p = .017$ . Half of the South Korean students are aware of this form, however only 24% of the Chinese students are aware of the form. Interestingly, none of the Indian students are aware of this form.

The fourth analysis examined the potential effect of gender on the knowledge of tax documents. With regards to Form 8843 (see Table 3, Panel F), no significant difference is found with regard to gender influencing knowledge,  $\chi^2(1) = 2.139$ ,  $p = .144$ , although fewer women are unaware of the form (73%) than men (85%). With regards to Form 1040-NR (see Table 3, Panel G), no significant difference is found with regard to gender influencing knowledge,  $\chi^2(1) = .793$ ,  $p = .373$ , although fewer women are unaware of the form (67%) than men (75%).

The final participant characteristic of close examination is age. Since only 11 students indicated their age as 31 years old or above, the age categories are collapsed into two – those 18-22 ( $n=41$ ) and those 23 or older ( $n=58$ ). With respect to Form 8843 (see Table 3, Panel H), no significant difference is found with regard to age influencing knowledge,  $\chi^2(1) = .133$ ,  $p = .716$ . The odds ratios for these two groups are directionally similar: for 18-22 years old, not aware vs. aware is 3.56, whereas that for 23 years or older, not aware vs. aware is 4.27. For Form 1040-NR (see Table 3, Panel I), no significant difference is also found with regard to age influencing knowledge,  $\chi^2(1) = .256$ ,  $p = .613$ . The odds ratios for this form are also directionally similar: for 18-22 years old, not aware vs. aware is 2.23, and for 23 years or older, not aware vs. aware is 2.80. While the odds ratios for both forms indicate a general lack of knowledge, younger students seem slightly more aware of both forms, and both age categories are slightly more aware of Form 1040-NR.

Lastly, whether the students attend a public ( $n=64$ ) or private ( $n=33$ ) university falls under consideration as a driver of tax document knowledge. For Form 8843 (see Table 3, Panel J), no significant difference is found with regard to type of institution influencing knowledge,  $\chi^2(1) = 2.866$ ,  $p = .090$ . However, private university participants, as a group were more well informed (not aware versus aware ratio is 2.3) than their public counterparts (not aware versus aware ratio is 5.4). With regards to Form 1040-NR (see Table 3, Panel K), a difference is found as to type of institution influencing knowledge,  $\chi^2(1) = 8.618$ ,  $p = .003$ . Private university participants as a group were more well informed (not aware versus aware ratio is 1.13) than their public university counterparts (not aware versus aware ratio is 4.41).

Several additional exploratory analyses (non-tabulated) were conducted to determine if other influential factors drive U.S. tax filing knowledge. Of these factors, the student's intent to renew a visa, intent to apply for permanent residency, the degree field the student is currently pursuing, and the student's level of proficiency with English did not have any significant effect on whether or not the student possesses tax filing knowledge. Interestingly, the students' assessment of the effectiveness of the International Student office did elicit a marginally significant impact on knowledge of Form 8843 (logistic regression model,  $\chi^2(1) = 3.751$ ,  $p = .053$ ), and a significant impact on knowledge of Form 1040-NR

(logistic regression model,  $\chi^2(1) = 4.684$ ,  $p = .030$ ). This evidence suggests that a strong perception of the effectiveness of a university's international office may affect student tax filing awareness.

### **Conclusions and Implications**

The present study explores the level of international students' knowledge of, and subsequent compliance with, U.S. tax filing requirements. The results of survey data suggest that a significant proportion of international students are not adequately informed as to the proper U.S. filing requirements, and therefore are non-compliant with U.S. filing requirements. Additionally, data indicate that, of the several student characteristics examined in the study, only country of origin may have an influence over the students' awareness of some IRS forms. Students attending private institutions may also have a slight advantage of form awareness over those students attending public institutions.

As previously mentioned, inadequate knowledge of U.S. tax law requirements could lead to major issues for international students' visas. In addition to failure to file proper tax forms or filing incorrectly, this lack of compliance could result in a greater tax liability with added penalties and interest. These complications may inadvertently affect the students' plans to apply for permanent residency in the U.S., or the students' ability to receive sponsorship and employment.

Several resources may be tapped to assist international students in complying with U.S. tax laws. First, governmental agencies should transparently articulate compliance requirements on their websites, or provide hyperlinks to IRS information that spells out the requirements for international students. Greater care should be paid to divulge U.S. tax filing information during the immigration process culminating in VISA issuance. Second, educational institutions should become more proactive in exposing international students to information regarding the proper tax filing requirements. For example, if the educational institution does not directly participate in a VITA program, the institution might consider advertising an alternative community sponsor that offers a VITA program, such as the United Way. In addition, the International Student Office, or the equivalent, should consider integrating IRS compliance materials into the admissions process for international students. Third, local community tax practitioners might consider accepting an invitation from educational institutions to donate some of their time to assist international students on proper filing practices.

Apart from the aforementioned measures, the findings of this study suggest that public institutions may want to query private institutions in regards to methods of preparing international students for U.S. tax law compliance; perhaps more personalized interactions represent a driver of greater U.S. tax knowledge at private institutions. Finally, whereas there appears to be some disparity of U.S. tax knowledge among international students of various countries of origin, U.S. educational institutions, in partnership with the DHS, may wish to coordinate with foreign governmental entities to alleviate such knowledge gaps.

Whereas the findings of this study offer rather novel information regarding international students' inadequate tax knowledge, study limitations provide avenues for future research. Foremost, this study utilizes a relatively small number of participants from three universities. A broader international student

participation base extracted from educational institutions across the country would allow expanded usage of previously-examined student and institutional characteristics and the incorporation of unexplored characteristics. For example, students' country of origin may be expanded to include more specifically identified nationalities. In addition, a distinction may be found between the tax knowledge of undergraduate as compared to graduate students. With respect to the effects of unexplored institutional characteristics, different geographical locations, or different student populations, might provide additional points of differentiation in students' tax knowledge. Another limitation of the present study is that the majority of participants were solicited when attending VITA sessions. Future research may overcome this limitation by soliciting participation from a wider variety of sources.

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