

**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 or, for file transfer protocol services, connect to 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).

Payment Due Dates

If you have wages subject to U.S. income tax withholding, you may pay all of your estimated tax by April 15, 1997, or in four equal amounts by the dates shown below:

- 1st payment April 15, 1997
- 2nd payment June 16, 1997
- 3rd payment Sept. 15, 1997
- 4th payment Jan. 15, 1998*

If you **do not** have wages subject to U.S. income tax withholding, you may pay all of your estimated tax by June 16, 1997, or you may pay it in three installments. If you pay the tax in installments, 1/2 is due by June 16, 1997, 1/4 is due by September 15, 1997, and 1/4 by January 15, 1998.*

*You do not have to make the payment due January 15, 1998, if you file your 1997 Form 1040NR or 1040NR-EZ by February 2, 1998, **AND** pay the entire balance due with your return.

We do not send notices reminding you to make your estimated tax payments. You **must** make each payment by the due date.

Even if you are not required to make an estimated tax payment by the first payment due date, you may meet the requirements to make estimated tax payments later. In this case, you should figure the amount of your estimated tax payments by using the annualized income installment method, as explained in Pub. 505. Although your payment due dates will be the same, the payment amounts will vary based on your income, deductions, additional taxes, and credits for the months ending before each payment due date. As a result, this method may allow you to skip or lower the amount due for one or more payments. If you use the annualized income installment method, be sure to file **Form 2210**, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, with your 1997 tax return, even if no penalty is owed.

Fiscal Year Taxpayers. Due dates for fiscal year taxpayers are the 15th day of the 4th (if applicable), 6th, and 9th months of your current fiscal year, and the 1st month of the following fiscal year. If any date falls on a Saturday, Sunday, or legal holiday, use the next business day.

Amending Estimated Tax Payments

To change or amend your estimated payments, refigure your total estimated payments using the worksheet on page 3. Then use the worksheets under **Amended estimated tax** in Chapter 2 of Pub. 505 to figure the payment due for each remaining payment period.

When a Penalty Is Applied

In some cases, you may owe a penalty when you file your return. The penalty is imposed on each underpayment for the number of days it remains unpaid. A penalty may be applied if you did not pay enough estimated tax, or you did not make the payments on time in the required amount. A penalty may apply even if you have an overpayment on your tax return. The penalty may be waived under certain conditions. See Pub. 505 for details.

How To Complete and Use the Payment Voucher

There is a separate payment voucher for each due date. Please be sure you use the voucher with the correct due date shown in the upper right corner. Complete and send in the voucher **only** if you are making a payment. To complete your voucher:

- Type or print your name, address, and social security number (SSN) in the space provided on the voucher. If you do not have, and are not

eligible to obtain, a social security number, enter your IRS-issued individual taxpayer identification number (ITIN). To apply for an ITIN, get **Form W-7**, Application for IRS Individual Taxpayer Identification Number.

- Enter on the payment line of the voucher only the amount you are sending in. When making payments of estimated tax, be sure to take into account any 1996 overpayment that you choose to credit against your 1997 tax, but do not include the overpayment amount on this line.
- Enclose your payment, making the check or money order payable to: "Internal Revenue Service" (not "IRS").
- Write your identifying number (SSN or ITIN) and "1997 Form 1040-ES (NR)" on your check or money order.
- Do not staple or attach your payment to the voucher.
- Mail your payment voucher to the Internal Revenue Service, P.O. Box 8318, Philadelphia, PA 19162-8318.
- Fill in the **Record of Estimated Tax Payments** below for your files.

If you changed your name and made estimated tax payments using your old name, attach a statement to the front of your 1997 income tax return. List all of the estimated tax payments you made for 1997, the address where you made the payments, and the name and identifying number under which you made the payments.

1997 Tax Rate Schedules

Caution: Do not use these Tax Rate Schedules to figure your 1996 taxes. Use only to figure your 1997 estimated taxes.

Schedule X—Single

If line 5 is:		The tax is:		of the amount over—
Over—	But not over—			
\$0	\$24,650	15%		\$0
24,650	59,750	\$3,697.50 + 28%		24,650
59,750	124,650	13,525.50 + 31%		59,750
124,650	271,050	33,644.50 + 36%		124,650
271,050	-----	86,348.50 + 39.6%		271,050

Schedule Y—Married filing separately

If line 5 is:		The tax is:		of the amount over—
Over—	But not over—			
\$0	\$20,600	15%		\$0
20,600	49,800	\$3,090.00 + 28%		20,600
49,800	75,875	11,266.00 + 31%		49,800
75,875	135,525	19,349.25 + 36%		75,875
135,525	-----	40,823.25 + 39.6%		135,525

Schedule Z—Qualifying widows and widowers

If line 5 is:		The tax is:		of the amount over—
Over—	But not over—			
\$0	\$41,200	15%		\$0
41,200	99,600	\$6,180.00 + 28%		41,200
99,600	151,750	22,532.00 + 31%		99,600
151,750	271,050	38,698.50 + 36%		151,750
271,050	-----	81,646.50 + 39.6%		271,050

Record of Estimated Tax Payments

(see above for payment due dates)

Payment number	(a) Date	(b) Check or money order number	(c) Amount paid	(d) 1996 overpayment credit applied	(e) Total amount paid and credited (add (c) and (d))
1					
2					
3					
4					
Total					

1997 Estimated Tax Worksheet—For Nonresident Alien Individuals (keep for your records)

<p>1 Total expected 1997 income effectively connected with a U.S. trade or business. Caution: If this amount is over \$121,200 (\$60,600 if married filing separately), your itemized deductions and your deduction for exemptions may be limited. See Pub. 505 for details</p>	1	
<p>2 Enter itemized deductions (see 1996 Instructions for Form 1040NR or 1040NR-EZ)</p>	2	
<p>3 Subtract line 2 from line 1</p>	3	
<p>4 Exemptions. Multiply \$2,650 by the number of exemptions claimed. (Residents of Canada, India, Japan, Republic of Korea, Mexico, and U.S. nationals, see the 1996 Instructions for Form 1040NR or 1040NR-EZ.)</p>	4	
<p>5 Subtract line 4 from line 3</p>	5	
<p>6 Tax. Figure your tax on the amount on line 5 by using the 1997 Tax Rate Schedules on page 2. DO NOT use the Tax Table or Tax Rate Schedules in the 1996 Form 1040NR or Form 1040NR-EZ instructions. Caution: If you have a net capital gain and line 5 is over \$59,750 (\$49,800 if married filing separately), you may be able to lower your tax. See Pub. 505 for details.</p>	6	
<p>7 Additional taxes (see instructions)</p>	7	
<p>8 Add lines 6 and 7</p>	8	
<p>9 Credits (see instructions). Do not include any income tax withholding on this line</p>	9	
<p>10 Subtract line 9 from line 8. Enter the result, but not less than zero</p>	10	
<p>11 Other taxes (see instructions)</p>	11	
<p>12 Estimated 1997 tax on income effectively connected with a U.S. trade or business (add lines 10 and 11)</p>	12	
<p>13 Total expected 1997 income not effectively connected with a U.S. trade or business 13</p>	13	
<p>14 Multiply line 13 by 30% or lower treaty rate (see 1996 Instructions for Form 1040NR)</p>	14	
<p>15a Add lines 12 and 14</p>	15a	
<p>b Credit for Federal tax paid on fuels (from Form 4136)</p>	15b	
<p>c Subtract line 15b from line 15a. THIS IS YOUR TOTAL 1997 ESTIMATED TAX ▶</p>	15c	
<p>16a Multiply line 15c by 90% (66⅔% for farmers and fishermen) 16a</p>	16a	
<p>b Enter 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) 16b</p>	16b	
<p>c Enter the smaller of line 16a or 16b. THIS IS YOUR REQUIRED ANNUAL PAYMENT TO AVOID A PENALTY . . . ▶ Caution: Generally, if you do not prepay (through income tax withholding and estimated tax payments) at least the amount on line 16c, you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimate on line 15c is as accurate as possible. Even if you pay the required annual payment, you may still owe tax when you file your return. If you prefer, you may pay the amount shown on line 15c. For more details, see Pub. 505.</p>	16c	
<p>17 Income tax withheld and estimated to be withheld during 1997 plus any amount paid with Form 1040-C</p>	17	
<p>18 Subtract line 17 from line 16c. (Note: If zero or less, or line 15c minus line 17 is less than \$500, stop here. You are not required to make estimated tax payments.)</p>	18	
<p>19 If your first payment is due April 15, 1997, enter ¼ of line 18 (minus any 1996 overpayment you are applying to this installment) here and on your payment voucher(s). If you do not have wages subject to U.S. income tax withholding and your first payment is due June 16, 1997, enter ½ of line 16c on your first voucher and ¼ of line 16c on your second and third vouchers. Reduce each installment by ⅓ of line 17 and any 1996 overpayment you are applying to the installment</p>	19	

Note: If you are not required to file the voucher due April 15 (or June 16), 1997, at this time, you may have to file by a later date. See **Payment Due Dates** on page 2.

Tear off here

Form **1040-ES (NR)**
 Department of the Treasury
 Internal Revenue Service

1997 Payment Voucher 4

OMB No. 1545-0087

File only if you are making a payment of estimated tax. Return this voucher with check or money order payable to the **"Internal Revenue Service."** Please write your identifying number and "1997 Form 1040-ES(NR)" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Calendar year—Due Jan. 15, 1998

	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
Amount of payment		Your first name and initial	Your last name
\$		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, postal code, and country.	

File only if you are making a payment of estimated tax. Return this voucher with check or money order payable to the "Internal Revenue Service." Please write your identifying number and "1997 Form 1040-ES(NR)" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.

Calendar year—Due Sept. 15, 1997

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, postal code, and country.	

For Paperwork Reduction Act Notice, see instructions on page 1.

Tear off here

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Calendar year—Due June 16, 1997

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, postal code, and country.	

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Calendar year—Due April 15, 1997

Amount of payment \$	Please type or print	Your identifying number (SSN or ITIN) (employer identification number for an estate or trust)	
		Your first name and initial	Your last name
		Address (number, street, and apt. no.)	
		City, state, and ZIP code. If a foreign address, enter city, province or state, postal code, and country.	

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