Tax Information for US Resident Students and Scholars

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Fellowship Stipends (Not Earned Income)

- **Regarding Students:**
  - Fellowship stipends received by a degree candidate and used for qualified expenses are generally excluded from income.
  - Qualified expenses include tuition and enrollment fees, books, supplies and equipment (must be required for all students) that are required for your course work.
  - Qualified expenses do not include room and board and other expenses such as travel.
  - You are responsible to report as taxable income (federal and state) the amount of a fellowship not used for qualifying expenses.
  - MIT will not provide any income or stipend summary (W-2 or 1042-S) unless your tax treaty applies.
  - Consider estimated tax payments (paying tax quarterly in April, June, September and January).
Fellowship Stipends (Not Earned Income)

- *Regarding Postdoctoral Fellows:*
  - Fellowship stipends disbursed by MIT are subject to federal and state income taxes but not to Social Security or Medicare taxes
  - MIT is not permitted to withhold income tax on stipend payments
  - MIT will not provide any tax form
  - You are responsible to report as taxable income (federal and state) the amount of a fellowship not used for qualified expenses
  - Consider estimated tax payments (paying tax quarterly in April, June, September and January)
Taxable Stipends

• Payment for services – TA and RA Assistantships and postdoctoral training
  – Payments received for past, present or future services such as teaching, research or other services will generally be taxable
• For TA and RA, MIT will issue a Form W-2 and withhold based on the Form W-4 on file (federal and state)
• For postdoc fellowships, MIT will not issue any tax form
• Residents for tax purposes must pay tax on worldwide income (including foreign source fellowships)
Tax Reporting

• If the only fellowships received are nontaxable because they are for tuition, books, etc., no tax form must be filed
• If all or part of the funds received are taxable (RA, TA, postdoc fellowship), report the taxable amount as follows:
  – Form 1040
    • Report the taxable amount on line 7
    • If amount not reported on a Form W-2, enter “SCH” and the taxable amount on the dotted line next to line 7
    • If paid as an independent contractor, report amounts on Schedule SE (Self-Employment) of Form 1040 and pay SE tax if net earnings are $400 or more
**Lifetime Learning Credit**

- A nonrefundable tax credit of 20% of up to $10,000 of qualified tuition and fees – credit cannot exceed $2,000 per return
- Only credit for graduate students
- AGI phase outs for 2014
  - $128,000 married filing joint
  - $64,000 single
- Must be for qualified expenses
- Must reduce for tax free parts of fellowships
Student Loans – Interest Deduction

• Taxpayers are allowed to deduct up to $2,500 per year of interest paid on qualified education loans
• Loan must have been taken out solely to pay qualified education expenses
• Cannot be from a related person
• Ability to deduct phases out between $65,000 and $80,000 of AGI ($130,000 and $160,000 married filing joint)
Filing Options

• Software such as Turbotax (free online version for basic returns)
• IRS Volunteer Income Tax Assistance ("VITA") program
**Fellowship Stipends**

- Fellowship stipends are subject to federal and state income taxes except for amounts spent on "qualified" expenses. Portions of stipends used for personal items such as clothes, food, rent, etc. are subject to federal and state income taxes.
- Qualified expenses are expenses such as tuition, books, fees, or other items specifically required by MIT in order to complete a degree.
- Fellows do not need to fill out the tax withholding forms on SAPweb Employee Self Service. However, Fellows should fill out their direct deposit information, so that their stipend is deposited directly in their bank account on payday: [http://web.mit.edu/sapwebss/PS1/money_home.shtml](http://web.mit.edu/sapwebss/PS1/money_home.shtml) \(^{Note \, 1}\)
- Please see "For Further Assistance" below for where to find information on qualified expenses, estimated tax, etc.

<table>
<thead>
<tr>
<th>For U.S. citizens and permanent residents</th>
<th>For international students</th>
</tr>
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<tbody>
<tr>
<td>Tax regulations do not allow MIT to withhold federal and Massachusetts income taxes from the Fellowship stipend.</td>
<td>Federal income tax is withheld from Fellowship stipends at a flat rate depending on the student's visa type (14% for students with an F-1 or J-1 visa, 30% for all other.)</td>
</tr>
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<td>Therefore, if the student Fellow deems the stipend will be spent on non-qualified expenses, the student should consider making estimated federal and state payments to the IRS and the state.</td>
<td>State tax is not withheld and it is the student's responsibility to determine their state income tax liability and make estimated tax payments to the state, if necessary.</td>
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<td>You will not receive any tax form from MIT</td>
<td>You will receive tax form 1042S from MIT.</td>
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<td>Student Fellows may be eligible for a federal tax exemption if the student's home country has a tax treaty with the U.S. Please see &quot;Tax Treaties,&quot; below.</td>
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TA and RA Assistantships

- Research assistant and teaching assistant payments are subject to federal and state income taxes and MIT is required to withhold federal and Massachusetts income taxes from assistantship payments.
- Therefore, assistants must submit the necessary federal and Massachusetts tax withholding forms on-line so that HR/Payroll receives your withholding information. From [http://web.mit.edu/sapwebss/PS1/money_home.shtml](http://web.mit.edu/sapwebss/PS1/money_home.shtml) Note 1, please select Tax Withholding.
- It is important for assistants to fill out withholding forms by HR/Payroll’s Monthly Employment Transactions cutoff date for the month before their first assistantship payment, if possible. The monthly schedule is published at: [http://vpf.mit.edu/site/calendar_schedules/schedules/payroll_monthly_closing](http://vpf.mit.edu/site/calendar_schedules/schedules/payroll_monthly_closing)
- If HR/Payroll does not receive withholding forms before the cutoff date, the tax withholding rate for that month’s payment could be higher than if the assistant had submitted the forms. HR/Payroll cannot adjust tax withholding for prior months’ payments retroactively.
- Assistants should also fill out their direct deposit information. Please select Direct Deposit, just below Tax Withholding.

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<td>Assistants will receive tax form W-2 from MIT</td>
<td>Student research and teaching assistants may be eligible for a federal and state tax exemption if the student’s home country has a tax treaty with the U.S. Please see “Tax Treaties,” below.</td>
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<td>Assistants with a tax treaty will receive tax form 1042S from MIT. Students without tax treaties or with tax treaties whose assistantship payments exceed the tax treaty exemption limit will receive a W-2 tax form.</td>
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Please note that MIT can only provide general information and cannot provide you with specific information about your individual tax situation.
Worksheet 1-1. Taxable Scholarship and Fellowship Income

1. Enter the total amount of any scholarship or fellowship for 2012. See Amount of Scholarship or Fellowship, earlier.
   - If you are a degree candidate at an eligible educational institution, go to line 2.
   - If you are not a degree candidate at an eligible educational institution, stop here. The entire amount is taxable. For information on how to report this amount on your tax return, see Reporting Scholarships and Fellowships, later, in this chapter. 1. _______________

2. Enter the amount from line 1 that was for teaching, research, or any other services required as a condition for receiving the scholarship. (Do not include amounts received for these items under the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.) 2. _______________

3. Subtract line 2 from line 1 3. _______________

4. Enter the amount from line 3 that your scholarship or fellowship required you to use for other than qualified education expenses 4. _______________

5. Subtract line 4 from line 3 5. _______________

6. Enter the amount of your qualified education expenses 6. _______________

7. Enter the smaller of line 5 or line 6. This amount is the most you can exclude from your gross income (the tax-free part of the scholarship or fellowship) 7. _______________

8. Subtract line 7 from line 5 8. _______________

9. Taxable part. Add lines 2, 4, and 8. See Reporting Scholarships and Fellowships, later, for how to report this amount on your tax return 9. _______________
Post-Doctoral Fellows (PDFs)

- Post-doctoral fellows receive a monthly fellowship stipend from a U.S. or foreign source of funding.
- Fellowship stipends disbursed by MIT, except for foreign-sourced fellowships, are subject to federal and state income taxes but not to Social Security or Medicare taxes. Fellowship stipends are considered “unearned income” by the IRS. MIT (the disbursing agent) is not allowed to withhold income taxes from stipends, except stipends for foreign nationals on visas (non-resident aliens). See below.
- Foreign-sourced fellowships are not subject to any U.S. taxes. MIT will not withhold any taxes from foreign-sourced stipends.
- PDFs do not need to fill out the tax withholding forms (W-4/M-4) on SAPweb Employee Self Service. However, you should fill out your direct deposit information, so that your stipend is deposited directly in your bank account on payday:
  
  [link](http://web.mit.edu/sapwebss/ps1/money_home.shtml)

- Please see “For Further Assistance” below for where to find information on estimated tax and other tax-related topics.

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<td>Tax regulations do not allow MIT to withhold federal and Massachusetts income taxes from your Fellowship stipend, even though the stipend is taxable.</td>
<td>Federal income tax is withheld from post-doctoral Fellowship stipends at a flat rate depending on your visa type (14% for Fellows with an F-1 or J-1 visa, 30% for all other).</td>
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<td>Therefore, you should consider making estimated federal and state payments directly to the IRS and the state.</td>
<td>State tax is not withheld, and it is your responsibility to determine your state income tax liability and make estimated tax payments directly to the state, if necessary.</td>
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Post-Doctoral Associates (PDAs)

- Post-doctoral associates are taxed as employees, meaning your payments are subject to federal and state income taxes, as well as Social Security and Medicare (FICA) taxes.
- MIT is required to withhold federal and state income taxes and FICA taxes from PDA payments.
- Therefore, PDAs should submit the necessary federal and Massachusetts tax withholding forms on-line so that HR/Payroll receives your withholding information. From [http://web.mit.edu/sapwebss/PS1/money_home.shtml](http://web.mit.edu/sapwebss/PS1/money_home.shtml) Note 2, please select Tax Withholding.
- It is important for you to fill out withholding forms (W-4/M4) by HR/Payroll's Monthly Employment Transactions cutoff date for the month in which your appointment begins. The schedule is at: [http://vpf.mit.edu/payroll_monthly_closing](http://vpf.mit.edu/payroll_monthly_closing)
- If HR/Payroll does not receive your withholding forms by the cutoff date, your tax withholding for that month's payment could be higher than if you had submitted the forms. HR/Payroll cannot adjust your tax withholding for prior months' payments retroactively.
- You should also fill out your direct deposit information. Please select Direct Deposit, just below Tax Withholding.

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<td><strong>PDAs with a tax treaty</strong>: You will receive tax form 1042S from MIT, and, if your payments exceed the tax treaty exemption limit, you will also receive a W-2 for the excess amount.</td>
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<td><strong>PDAs without a tax treaty</strong>: You will receive a W-2 tax form.</td>
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The Affordable Care Act ("ACA")

• This refers to the national health care law that started in 2014
• Under the new law, each individual is required to have health insurance that has “essential coverage” to meet the individual mandate
• If you are a resident for US income tax purposes, you must be covered by insurance that meets the essential coverage requirements or pay a penalty
  – For 2014, penalty is the greater of 1% of your yearly income or $95 per person
  – For 2015, penalty is 2% of your yearly income or $325 per person
• MIT Health Plans meet the ACA requirements
• Foreign health care coverage does NOT meet the ACA requirements
Massachusetts Tax Filings

• Regardless of a taxpayer’s residency status for federal purposes, Massachusetts relies on its own law in determining whether or not a taxpayer is a **resident, nonresident or part year resident**

• An individual is a full year resident if his or her legal residence is in MA (generally if you are living in MA with no intent to leave) or your legal residence is not in MA but you maintain a permanent place of abode in MA and you spend in aggregate more than 183 days in MA
  – A permanent place of abode generally means a dwelling place continually maintained by a person that is either owned or rented
  – Permanent place of abode does not generally include university provided housing or housing held temporarily for a particular documented purpose for which the stay does not exceed one year

• An individual is a part year resident if you move to MA during the year and become a resident or you terminate your status as a MA resident by establishing a new residence outside the state

• An individual is a nonresident if he or she is not a resident or inhabitant of MA as defined directly above
Massachusetts Tax Filings

• If you are a resident for MA purposes (you have a permanent place of abode and you were present in MA for more than 183 days), you must report income and pay tax in MA on income tax Form 1 if your gross income exceeds $8,000

• If you are a member of a MIT health insurance plan, you should have received Form MA 1099-HC (*Individual Mandate Massachusetts Health Care Coverage*) in the mail

• You need information from the MA 1099-HC form to complete your MA tax return filing. Do not mail Form 1099-HC with your tax return. Keep it as proof you had insurance.
Tax Form List

• Form 1040 US Individual Income Tax Return
• Form 4868 Application for Automatic Extension of Time to File US Individual Income Tax Return
• Form W-2 Wage and Tax Statement
• MA Form 1 Massachusetts Resident Income Tax Return
• MA Form 1-NR/PY Massachusetts Nonresident/Part Year Resident Tax Return
• M-4868 Application for Automatic Extension of Time to File Massachusetts Income Tax Return (electronic filing generally required)