

# **Tax Reporting of Graduate Student Payments**

## **School of Medicine & Dentistry Orientation Fall 2023**

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**This document is produced for informational purposes only, and should not be considered tax, financial or legal advice. Please consult your own tax or financial advisor with any questions.**



# Graduate Appointments at a Glance



# Overview

- All graduate student financial support is processed through payroll and paid via HRMS.
- Fellowships/Assistantships – job codes 6000 & 6002 – paid semi-monthly
  - **U.S. citizens, permanent residents and resident aliens for tax purposes:** graduate fellowships/assistantships are generally taxable income, but not subject to withholding.
  - **Non-resident aliens for tax purposes:** taxability and withholding depends on whether your country of residence has a tax treaty with the U.S. and whether you can claim treaty benefits.
- Grad/Teaching Assistant Add-On – job codes 6004, 6006 (or any other student employment position) – paid bi-weekly hourly/semi-monthly
  - Federal and NY state taxes are withheld. FICA taxes are generally not withheld as there is an exception for student workers.



## Summary of Graduate Student Appointments

<b>Appointment Description</b>	<b>HRMS Job Code</b>	<b>Reported On</b>
Graduate Fellowship	6000 (Visiting student – 6001)	End of year letter (US) (1042-S if NRA)
Graduate Assistantship	6002 (Visiting student – 6003)	End of year letter (US) (1042-S if NRA)
GA Add-On	6004 (Visiting student – 6005)	W-2
TA Add-On	6006	W-2

Ask your department to provide you the job code(s) associated with your appointment(s).





# Tax Reporting for Fellowships/Assistantships: Nonresident Aliens for Tax Purposes



# Non-Resident Aliens for Tax Purposes

- For students who are **non-resident aliens for tax purposes**, withholding for Fellowships/Assistantships (job codes 6000, 6002) depends on whether your country of residence has a tax treaty with the U.S. for scholarships/fellowships and your completion and submission of the necessary documents in Sprintax Calculus.
- To receive tax treaty benefits, you must have an Individual Taxpayer Identification Number (ITIN) or SSN – additionally:
  - Must update Sprintax Calculus record
  - Generally, must complete, sign & submit Form W-8 BEN and/or Form 8233 & upload to your Sprintax Calculus record
- Federal income tax withholding will occur if required (no tax treaty benefit OR documents not completed).



# Non-Resident Aliens for Tax Purposes

- For students who are **non-resident aliens for tax purposes**, you will receive a Form 1042-S each calendar year which reports your fellowship/assistantship payments and any tax withheld on the payments.
  - Form 1042-S will be available through Sprintax Calculus software
  - 2023 Forms 1042-S will be available by March 15, 2024



# Tax Reporting for Fellowships/Assistantships:

U.S. Citizens, Permanent  
Residents and Resident Aliens  
for Tax Purposes



# Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

- Fellowships/assistantships coded as 6000 and 6002 are not considered compensation for services (i.e., wages). These amounts are for your educational benefit (fulfills research or teaching requirements for your degree).
- The IRS provides that amounts received as fellowships are not required to be reported as wages on a W-2 or as income on a Form 1099-MISC. However, these amounts are taxable income if used for **nonqualified** expenditures.
- Because these fellowships are not considered wages, they are not subject to income tax withholding.



# Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

- Fellowships/assistantships are not taxable if used for qualified expenditures.
  - **Qualified** expenditures – candidate for degree and amount used for tuition or fees, books, supplies and equipment required for courses
- Fellowships/assistantships are taxable if used for non-qualified expenditures.
  - **Nonqualified** expenditures – amounts used for room, board, travel, equipment, living expenses not required as part of education
- Any tuition support that you are receiving is in addition to your 6000/6002 fellowship/assistantship position (and would already be considered a qualified nontaxable expense).
- You will receive a letter from the University in January 2024 which provides your total fellowships/assistantships for the 2023 calendar year.
  - Letter is for informational purposes and is not required to be filed with the IRS or NYS Dept of Tax when you file your 2023 tax return.
  - Letter should be saved and kept as support for taxable amount of fellowship/assistantship that you report on your 2023 tax return.



# Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

## ▪ Example

Scott is a PhD candidate receiving 100% tuition support from the University. In addition, he was awarded an assistantship (6002 job code) of \$30,000 for the 2023-24 academic year. His cost of books and equipment required for and paid in 2023 for his classes is \$1,000. How much of the \$30,000 is taxable for 2023?

### Calendar Year 2023

Assistantship payments received in 2023 - \$15,000

Cost of books/equipment required for and paid in 2023 for his 2023 classes - \$1,000

\$14,000 - should be reported as taxable income from his 6002 assistantship on Scott's 2023 tax return (\$15,000 less \$1,000)\*\*

\*\* To support this amount on his 2023 return, Scott should keep his fellowship letter from the University (received in January 2024), receipts and course information that lists required books/equipment.



# Tax Reporting for Fellowships/Assistantships: U.S. Citizens, Permanent Residents and Resident Aliens for Tax Purposes

- Because fellowships/assistantships (job codes 6000,6002) used for nonqualified expenditures are taxable income but not subject to withholding by the University, you **may** be required to make estimated tax payments with the IRS and/or the NYS Dept of Tax (if you are a NY state resident).
- The IRS and NYS require that income taxes be paid as you earn or receive income during the year, either through withholding or estimated tax payments. Estimated tax payments are due quarterly. You are always allowed to “pre-pay” your tax liability that would otherwise be due each quarter. Otherwise, equal installments.





# Resident Aliens for Tax Purposes

- Resident aliens for tax purposes are generally treated the same as U.S. citizens.
- However, certain countries have treaty provisions that apply to students even after they become resident aliens for U.S. tax purposes.
- A non-resident alien who is on a student visa (F, J, M or Q) from **China\***, **Germany**, **Luxembourg** or **Pakistan** may continue to claim tax treaty benefits with respect to their non-service fellowship/assistantship payments *even after* they become a resident alien for tax purposes (so **NOT** required to pay estimated income taxes).
  - \* Tax treaty with China does not include Hong Kong or Taiwan residents
- Generally, in order to continue to claim tax treaty benefits, the student must still be in the process of obtaining their degree.



# Resident Aliens for Tax Purposes

- You must file a U.S. tax return and Form 8833, [Treaty-Based Return Position Disclosure Under Section 6114 or 7701\(b\)](#), if you are a resident alien for tax purposes and claiming tax treaty benefits on your non-service fellowship/assistantship payments. There is no additional documentation that you are required to provide to the University.
- You will not receive a Form 1042-S for your fellowship / assistantship payments after you have become a resident alien for tax purposes.



# Calculating & Paying Your Estimated Tax Payments



# Calculating Taxable Income & Tax

- How much tax you need to pay to the IRS and NYS in estimated tax payments depends on your total estimated taxable income and tax withholdings for the current year
- Your total taxable income and tax liability depends on your personal tax situation
- IRS and NYS income tax liability varies by person and depends on:
  - Filing status (Single, Married, Head of Household)
  - Spouse's income
  - Can you be claimed as a dependent on another person's tax return?
  - Do you have taxable income from sources outside of the University?
    - Off-campus job
    - Interest/dividend/capital gain income



# Taxable Income Differs Between IRS and State

- If you cannot be claimed as a dependent on another person's return, you can take the standard deduction in determining your income subject to tax.
- The standard deduction for IRS purposes is different than the standard deduction for state purposes. For 2023:
  - For IRS – if filing status is single: \$13,850
  - For NYS – if filing status is single: \$8,000
- There are different credits and deductions allowed for federal income tax purposes versus state income tax purposes. Availability of credits/deductions based on your personal tax situation.



# Estimated Tax Payment Due Dates

## ESTIMATED TAX DUE DATES FOR 2023

Quarter 1 — ~~April 18, 2023~~

Quarter 2 — ~~June 15, 2023~~

Quarter 3 – September 15, 2023

Quarter 4 – January 16, 2024

## ESTIMATED TAX DUE DATES FOR 2024

Quarter 1 – April 15, 2024

Quarter 2 – June 17, 2024

Quarter 3 – September 16, 2024

Quarter 4 – January 15, 2025



# Penalty for Not Making Estimated Tax Payments

- You are subject to a penalty for not making 2023 quarterly estimated tax payments to the IRS/NY state if:
  1. You owe \$1,000 or more in tax (\$300 or more for NY) when you file your 2023 return in 2024 (after subtracting withholding that you had, overpayments from the prior year, and any estimated taxes that you made), **AND**
  2. Your withholding/estimated payments are less than the smaller of:
    - a. 90% of the tax on your 2023 return, or
    - b. 100% of the tax on your 2022 return.
- Safe Harbor – For 2023 estimated tax payments, pay the tax on your 2022 return (from Form 1040) equally over the 4 quarterly payment dates (or all up front).



# Resources

- IRS and NYS Tax Resources for Calculating Quarterly Estimated Tax Payments
  - Refer to IRS and NYS Forms listed below (which include explanation of how to estimate quarterly amounts owed) and IRS Publication 505 (Tax Withholding and Estimated Tax), available at: <https://www.irs.gov/pub/irs-pdf/p505.pdf>
    - Federal – [IRS Form 1040-ES](#)
    - New York – [NY Form IT-2105](#)





# Calculate Your 2023 Estimated Tax Payments

## ▪ Example 1 – No other taxable income other than assistantship

Megan has an assistantship (6002 job code) of \$30,000 for the 23/24 academic year. She has no qualified expenditures other than tuition (which is offset directly by the University separate from the assistantship). For 2023, she did not have any other taxable income (no other fellowships or W-2 wage income). Megan's filing status is single and she can't be claimed as a dependent on someone else's return. She is a NY state resident for tax purposes.

## Is Megan required to make estimated tax payments to the IRS and NYS?

### Step 1 - What is Megan's 2023 taxable income for estimated tax purposes?

Assistantship payments received in 2023: \$15,000 (1/2 of \$30,000)

Cost of books/equipment required for and paid in 2023 for her 2023 classes: \$0

2023 Federal taxable income: \$15,000 - \$13,850 (IRS standard deduction for 2023) = \$1,150

2023 NY taxable income: \$15,000 - \$8,000 (NY standard deduction for 2023) = \$7,000

**Now we need to determine federal & NY state income tax.**



# Calculate Your 2023 Estimated Tax Payments

## Example 1 – No other taxable income other than assistantship

**Step 2** - What is the federal & NYS estimated tax on Megan’s 2023 estimated taxable income?

### FEDERAL:

From 2023 IRS Form 1040-ES page 7



Schedule X—Use if your 2023 filing status is Single

If line 3 is:		The tax is:		of the amount over—
Over—	But not over—			
\$0	\$11,000	-----	+ 10%	\$0
11,000	44,725	\$1,100.00	+ 12%	11,000
44,725	95,375	5,147.00	+ 22%	44,725
95,375	182,100	16,290.00	+ 24%	95,375
182,100	231,250	37,104.00	+ 32%	182,100
231,250	578,125	52,832.00	+ 35%	231,250
578,125	-----	174,238.25	+ 37%	578,125

\$1,150 federal taxable income x 10% = \$115

Megan’s estimated federal income tax for 2023 on her assistantship is \$115.

*Megan owes less than \$1,000 to the IRS for 2023 so she does not need to make any federal estimated tax payments for 2023.*



# Calculate Your 2023 Estimated Tax Payments

- **Example 1 – No other taxable income other than assistantship**

**Step 2 - What is the NYS estimated tax on Megan’s 2023 estimated taxable income?**

From 2023 NYS Form IT-2105 page 10



Single and married filing separately			
If line 5 is:	but	The tax is:	
over	not over		
\$ 0	\$8,500	4%	of line 5
8,500	11,700	\$ 340 plus	4.5% of the excess over \$8,500
11,700	13,900	484 plus	5.25% " " " "
13,900	80,650	600 plus	5.5% " " " "
80,650	215,400	4,271 plus	6% " " " "
215,400	1,077,550	12,356 plus	6.85% " " " "
1,077,550	5,000,000	71,413 plus	9.65% " " " "
5,000,000	25,000,000	449,929 plus	10.3% " " " "
25,000,000	.....	2,509,929 plus	10.9% " " " "

So \$7,000 NY taxable income x 4% = \$280

Megan’s estimated NY state income tax on her assistantship for 2023 is \$280.

*Megan owes less than \$300 to NY for 2023 so she does not need to make any NY state estimated tax payments for 2023.*



# Calculate Your 2023 Estimated Tax Payments

## ■ Example 2 – Other taxable income in addition to assistantship

Megan has an assistantship (6002 job code) of \$30,000 for the 23/24 academic year. She has no qualified expenditures other than tuition (which is offset directly by the University separate from the fellowship). For 2023, she also received \$10,000 in wages from a summer job (in which she had \$500 in federal income tax withheld and \$200 in NY income tax withheld). Megan's filing status is single and she can't be claimed as a dependent on someone else's return. She is a NY state resident for tax purposes.

**Is Megan required to make estimated tax payments to the IRS and NYS?**

**Step 1 - What is Megan's 2023 taxable income for estimated tax purposes?**

Assistantship payments received in 2023: \$15,000 (1/2 of \$30,000)

Cost of books/equipment required for and paid in 2023 for her 2023 classes: \$0

2023 federal taxable income:  $\$10,000 + \$15,000 - \$13,850$  (2023 standard deduction) = \$11,150

2023 NY taxable income:  $\$10,000 + \$15,000 - \$8,000$  (2023 NY standard deduction) = \$17,000



# Calculate Your 2023 Estimated Tax Payments

## Example 2 – Other taxable income in addition to assistantship

**Step 2 - What is the federal & NYS estimated tax on Megan’s 2023 estimated taxable income?**

### FEDERAL:

From 2023 IRS Form 1040-ES

\$11,150 federal taxable income

Tax:  $\$1,100 + 12\% \times (\$11,150 - \$11,000)$

$$\$1,100 + (12\% \times \$150) = \$1,118$$

Megan’s estimated federal income tax for 2023 on her assistantship and wages combined is \$1,118. Megan had \$500 in federal income tax withholding on her wage income. Megan estimates that she will owe an additional \$618 to the IRS.

*Megan owes less than \$1,000 after subtracting withholding so she does not need to make any federal estimated tax payments.*

Schedule X—Use if your 2023 filing status is Single					
If line 3 is:		The tax is:		of the amount over—	
Over—	But not over—				
\$0	\$11,000	-----	+ 10%		\$0
11,000	44,725	\$1,100.00	+ 12%		11,000
44,725	95,375	5,147.00	+ 22%		44,725
95,375	182,100	16,290.00	+ 24%		95,375
182,100	231,250	37,104.00	+ 32%		182,100
231,250	578,125	52,832.00	+ 35%		231,250
578,125	-----	174,238.25	+ 37%		578,125



# Calculate Your 2023 Estimated Tax Payments

## Example 2 – Other taxable income in addition to assistantship

**Step 2 - What is the federal & NYS estimated tax on Megan's 2023 estimated taxable income?**

**NY:**

From 2023 NYS Form IT-2105

\$17,000 NY state taxable income

Tax:  $\$600 + 5.5\% \times (\$17,000 - \$13,900)$

$\$600 + (5.5\% \times \$3,100) = \$770.50$

Megan's estimated NY state income tax for 2023 on her assistantship and wages combined is \$770.50. Megan had \$200 in NYS tax withholding on her wage income. Megan estimates that she will owe an additional \$570.50 to NYS for her 2023 taxable income.

***Megan should either (1) make an estimated payment to NY of \$570.50 by September 15, 2023, or (2) make an estimated payment to NY of \$285.25 by September 15, 2023 and another estimated payment to NY of \$285.25 by January 16, 2024.***

Single and married filing separately				
If line 5 is:		The tax is:		
over	but not over			
\$ 0	\$8,500		4%	of line 5
8,500	11,700	\$ 340 plus	4.5%	of the excess over \$8,500
11,700	13,900	484 plus	5.25%	" " " "
13,900	80,650	600 plus	5.5%	" " " "
80,650	215,400	4,271 plus	6%	" " " "
215,400	1,077,550	12,356 plus	6.85%	" " " "
1,077,550	5,000,000	71,413 plus	9.65%	" " " "
5,000,000	25,000,000	449,929 plus	10.3%	" " " "
25,000,000	.....	2,509,929 plus	10.9%	" " " "



# Calculate Your 2024 Federal Estimated Tax Payments

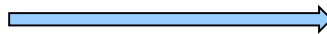
For calendar year 2024, Megan estimates her assistantship amount to be \$30,000 (½ of 23/24 fellowship and ½ of 24/25 fellowship). For 2024 she does not expect to have any wage income.

2024 federal taxable income = \$30,000 (fellowship payments received in 2024) less 2024 standard deduction (2023 amount of \$13,850 – will change) = \$16,150.

Use 2024 Form 1040-ES (not released yet) to estimate federal income tax on \$16,150. Calculation if used 2023 table (see below):  $\$1,100 + 12\% \times (\$16,150 - \$11,000) = \$1,718$  (quarterly IRS payments due of \$429.50).

Schedule X—Use if your 2023 filing status is Single

If line 3 is:		The tax is:		of the amount over—
Over—	But not over—			
\$0	\$11,000	-----	+ 10%	\$0
11,000	44,725	\$1,100.00	+ 12%	11,000
44,725	95,375	5,147.00	+ 22%	44,725
95,375	182,100	16,290.00	+ 24%	95,375
182,100	231,250	37,104.00	+ 32%	182,100
231,250	578,125	52,832.00	+ 35%	231,250
578,125	-----	174,238.25	+ 37%	578,125





# Calculating Your 2024 NY Estimated Tax Payments

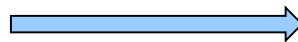
For calendar year 2024, Megan estimates her assistantship amount to be \$30,000 (½ of 23/24 fellowship and ½ of 24/25 fellowship). For 2024 she does not expect to have any wage income.

NY taxable income for 2024: \$30,000 – 2024 standard deduction (assume 2023 amount of \$8,000, but may change) = \$22,000.

Use 2024 Form IT-2105 (not released yet) to calculate NYS tax on \$22,000.

Calculation if used 2023 table:  $\$600 + (5.5\% \times (\$22,000 - \$13,900)) = \$1,045.50$  (quarterly NYS payments due of \$261.38).

From 2023 NYS Form IT-2105



Single and married filing separately				
If line 5 is:	but	The tax is:		
over	not over			
\$ 0	\$8,500	4% of line 5		
8,500	11,700	\$ 340 plus	4.5% of the excess over	\$8,500
11,700	13,900	484 plus	5.25% " " " "	11,700
13,900	80,650	600 plus	5.5% " " " "	13,900
80,650	215,400	4,271 plus	6% " " " "	80,650
215,400	1,077,550	12,356 plus	6.85% " " " "	215,400
1,077,550	5,000,000	71,413 plus	9.65% " " " "	1,077,550
5,000,000	25,000,000	449,929 plus	10.3% " " " "	5,000,000
25,000,000	.....	2,509,929 plus	10.9% " " " "	25,000,000





# How to Make Estimated Tax Payments

## ■ How to make IRS estimated quarterly tax payments

1. Mail your payment (check or money order) with payment voucher (IRS Form 1040-ES, Vouchers 1-4)
2. Pay online at [www.irs.gov](http://www.irs.gov) website or using IRS2Go App –
  - a) Through IRS Direct Pay – pay directly from your bank account
  - b) Pay with credit card – through processor (requires fee)

## ■ How to make NYS estimated quarterly tax payments

1. Mail your payment (check or money order) with payment voucher (NY Form IT-2105, Voucher)
2. Pay online at [www.tax.ny.gov](http://www.tax.ny.gov) website (need to create Online Services account)
  - a) Pay directly from your bank account
  - b) Pay with credit card – through processor (requires fee)



# Calculate Your 2024 Estimated Tax Payments

- Making Additional Tax Payments during the Year via Extra Withholding
  - If you also have a Graduate/Teaching Assistant add-on (bi-weekly hourly / semi-monthly) – job codes 6004, 6006 – OR any other employment position through SEO, you can request additional withholding (IRS or NYS) on the wages that you receive from these positions.
    - Need to update your IRS Form W-4 (complete Step 4(c)) or NYS Form IT-2104 (complete Line 3) for extra withholding.
    - **NEED TO COMPLETE A NEW FORM W-4 / IT-2104 IF YOU NO LONGER WANT ADDITIONAL AMOUNTS WITHHELD.**



# **How to Report Fellowships/Assistantships on Your 2023 Income Tax Returns**



# How to Report Fellowships/Assistantships on Your 2023 Income Tax Returns

- When filing Form 1040, enter “SCH = \$(TAXABLE AMOUNT)” in the space to the left of the “Wages, salaries, tips” line of your tax return.
- “Wages, salaries, tips” line of your tax return should include:
  - Amounts from Box 1 of your W-2s plus
  - Taxable scholarships/fellowship amounts received
- If using a commercial software program such as TurboTax or TaxSlayer, follow the instructions provided by the software provider to report your fellowship/assistantship.
- Some commercial software programs will force the federal self-employment tax to calculate if you enter an amount as wages but fellowships/ assistantships should not be subject to the self-employment tax.
- Most commercial software programs have a help or chat feature if you need assistance.



# Tax Resources

- [SMD Graduate Student Tax Information](#)
- **IRS Publication 970 – Tax Benefits for Education:**  
<https://www.irs.gov/pub/irs-pdf/p970.pdf>
- **IRS Publication 505 – Tax Withholding and Estimated Tax for 2020:**  
<https://www.irs.gov/pub/irs-pdf/p505.pdf>
- **IRS Form 1040-ES (Quarterly Tax Payments):**  
<https://www.irs.gov/pub/irs-pdf/f1040es.pdf>
- **NYS Form IT-2105 (Quarterly Tax Payments) and Instructions:**  
[https://www.tax.ny.gov/pdf/current\\_forms/it/it2105\\_fill\\_in.pdf](https://www.tax.ny.gov/pdf/current_forms/it/it2105_fill_in.pdf)  
[https://www.tax.ny.gov/pdf/current\\_forms/it/it2105i.pdf](https://www.tax.ny.gov/pdf/current_forms/it/it2105i.pdf)



# Questions?

- **Regarding the appointment that you have: contact your department administrator.**
- **Regarding the payment itself: email [payroll@rochester.edu](mailto:payroll@rochester.edu).**
- **Regarding paperwork required by Sprintax Calculus (NRAs): email [FNpayroll@ur.rochester.edu](mailto:FNpayroll@ur.rochester.edu).**
- **Helpful tips:**
  - **To access HRMS from outside the University's network, you need to enroll in Duo Security. Enrollment and more information about how the process works is available at <http://tech.rochester.edu/services/two-factor-authentication/>.**
  - **To set up direct deposit of your fellowship/assistantship payment, please review the user guide for employee self-service, which can be found in HRMS under the “Helpful Information” tab and by visiting our Payroll website: [www.Rochester.edu/Payroll/](http://www.Rochester.edu/Payroll/)**

