

September 9<sup>th</sup>, 2007

Dear BGS Students,

There is some confusion regarding the years of the program in which you get no taxes withheld from your stipend check, and need to file estimated taxes and the years in which you do, and so don't need to file estimated taxes. The following is a *typical* funding scenario for most BGS students in FY08, September 1, 2007 – August 31, 2008. Please note that there are always exceptions to the norm in a program with 500 plus students. So if you think that you don't fit the profile indicated below, or are not sure of your funding source for FY08, please don't hesitate to contact the BGS office at 417 Anat-Chem Building.

In year 1 you may be supported in one of the following ways:

Funded by BGS as Educational Fellowship Recipient (henceforth EFR) and hence no taxes are withheld by the University. BGS stipend is \$26,520, September 1, 2007 – August 31, 2008. **As a result, a W-2 will NOT be generated for you at the end of any given tax year.**

**OR**

Funded by a combination of BGS and Training grant (henceforth TG), and hence as Educational Fellowship Recipient (for the BGS portion of your stipend) and Pre-Doc Trainee (for the TG portion of your stipend) no taxes are withheld from your stipends. **As a result, a W-2 will NOT be generated for you at the end of any given tax year.**

For FY08, September 07 – August 08, the breakdown is as follows:  
If TG stipend is \$20,772, then the BGS stipend contribution is \$5748.

**NOTE:** PhD students can **ONLY** be appointed to NIH training grants (institutional or individual) for a **TOTAL** period of 5 years.

**HOWEVER,** Taxability of Stipends Section 117 of the Internal Revenue Code applies to the tax treatment of scholarships and fellowships. The Tax Reform Act of 1986, Public Law 99-514, impacts on the tax liability of all individuals supported under the NRSA and BGS fellowship programs. New statutory requirements were effective as of January 1, 1987. Degree candidates may now exclude from gross income (for tax purposes) any amount used for course tuition and related expenses such as fees, books, supplies and equipment required for courses of instruction at a qualified educational organization. Non-degree candidates are now required to report as gross income all stipends and any monies paid on their behalf for course tuition and fees required for attendance.

It must be emphasized that the interpretation and implementation of the tax laws are the domain of the Internal Revenue Service and the courts. NIH and the University of Pennsylvania takes no position on what the status may be for a particular taxpayer, and it

does not have the authority to dispense tax advice. Individuals should consult their local IRS office about the applicability of the law to their situation and for information on their tax obligations.

Please check the following IRS web page for publications related to the taxability of NIH fellowships: IRS publication#4, Student's Guide to Federal Income Tax; IRS Publication 520, Scholarships and Fellowships. [http://www.irs.gov/forms\\_pubs/pubs.html](http://www.irs.gov/forms_pubs/pubs.html)

In year 2 you may be supported in one of the following ways:

Funded by BGS as EFR until May 31, 2008. Funded by a combination of BGS, as EFR, and Mentor, as Research Fellow (henceforth RF), for June – August 2008. BGS provides \$460 per month and the mentor, \$1750 per month, for this period. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 will be generated for you at the end of any given tax year.**

**OR**

Funded by a combination of TG and Mentor. For the TG portion of your stipend no taxes are withheld from your stipends. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 will be generated for you at the end of any given tax year.**

For FY08, June 08 – August 08, the breakdown is as follows:

If TG stipend is \$20,772, then the mentor stipend contribution is \$1437.

In years 3-5 you may be supported in the following ways:

***Combination of TG, and Mentor.*** In this case, your stipend is jointly paid by the TG and your mentor. For the TG portion of your stipend, no taxes will be withheld. However, you are expected to file estimated taxes on the portion of stipend paid by the TG. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 should be generated for you at the end of any given tax year, for this portion of your stipend.** Your mentor only pays for a portion of your tuition in this combination.

For FY08, September 07 – August 08, the breakdown is as follows:

If TG stipend is \$20,772, then the mentor stipend contribution is \$5748.

***Combination of Mentor and BGS:*** In this case, your stipend is jointly paid by the mentor and BGS. For the BGS portion of your stipend, no taxes will be withheld. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 should be generated for you at the end of any given tax year, for this portion of your stipend.**

For FY08, September 07 – August 08, the breakdown is as follows:  
Mentor pays \$21,000 and BGS pays \$5520.

***Combination of Individual NRSA and Mentor:*** In this case, your stipend is jointly paid by the NRSA and your mentor. For the NRSA portion of your stipend, no taxes will be withheld. However, you are expected to file estimated taxes on the portion of stipend paid by the NRSA. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 should be generated for you at the end of any given tax year, for this portion of your stipend.**

For FY08, September 07 – August 08, the breakdown is as follows:  
If NRSA stipend is \$20,772, then the mentor stipend contribution is \$5748.

In years **6+** of the program you may be supported in the following ways:

***Combination of Individual NRSA and Mentor:*** In this case, your stipend is jointly paid by the NRSA and your mentor. For the NRSA portion of your stipend, no taxes will be withheld. However, you are expected to file estimated taxes on the portion of stipend paid by the NRSA. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 should be generated for you at the end of any given tax year, for this portion of your stipend.**

For FY08, September 07 – August 08, the breakdown is as follows:  
If NRSA stipend is \$20,772, then the mentor stipend contribution is \$5748.

***Combination of TG and Mentor:*** In this case, your stipend is jointly paid by the TG and your mentor. For the TG portion of your stipend, no taxes will be withheld. However, you are expected to file estimated taxes on the portion of stipend paid by the TG. As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City@ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 should be generated for you at the end of any given tax year, for this portion of your stipend.**

For FY08, September 07 – August 08, the breakdown is as follows:  
If TG stipend is \$20,772, then the mentor stipend contribution is \$5748.

**Mentor Only:** As the mentor portion of your stipend is most likely to be paid off a research grant, the following taxes should be withheld: Fed/City @ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%). **As a result, a W-2 should be generated for you at the end of any given tax year.**

For FY08, September 07 – August 08, the breakdown is as follows:  
Mentor pays entire stipend of \$26,520.

## **FOREIGN STUDENTS**

Please note that foreign students CANNOT be appointed to NIH training grants.

The Office of International Programs (<http://www.upenn.edu/oip/iss/tax/index.html>) provides comprehensive tax information for foreign students. Please check their website for additional details.

Indicated below is the typical contribution to your stipend as an Educational Fellowship Recipient:

- Yrs 1-2: Both years will be entirely paid as an Educational Fellowship Recipient
- Yrs 3-5: A portion of your stipend, (\$5520 in 2008-2008, September 1, 2007 – August 31, 2008) will be paid as an Educational Fellowship Recipient.
- Yrs 6+: Entirely paid as Research Fellow from mentor's research grant. Should be taxed as: Federal/City @ 50% (which means that if the current city wage tax is 5% of taxable income, you will be taxed at 2.5%).

**Please note that the University generates Form 1042S for non-U.S. students.**

Additional details regarding Form 1042S are in Publication 1187, Specifications for Filing Form 1042S and can be found at the following web page.

[http://www.irs.gov/forms\\_pubs/pubs.html](http://www.irs.gov/forms_pubs/pubs.html)

September 9<sup>th</sup>, 2007

Dear Students,

Taxability of student financial aid varies from Federal to State to Local Government, and also varies based on the source of student support (i.e., research grant, training grant, teaching assistantship, etc.). Although most students will have a relatively straightforward tax liability, for some students it may be necessary to calculate different taxes for different semesters. Therefore, Biomedical Graduate Studies would like to provide the accompanying information to help you understand your income tax liability. This email is for information purposes only. The University of Pennsylvania and the Biomedical Graduate Studies staff members are not trained tax consultants. The Office of the General Counsel has also prepared a document for Penn Ph.D. students entitled "Income Tax Information for 1999." It is posted on the web at <http://www.upenn.edu/VPGE/announcements.html>. It is recommended that all students meet with an authorized tax consultant if they have any questions concerning their Federal State, and City tax liabilities.

Excerpts from the "Graduate Student and Post-Doctoral Appointments at the University of Pennsylvania" handbook are included. As noted in the excerpts, tax withholdings are based on the student's source of funding. Normally, Ph.D. and CD students are funded by training grants and/or University funds during the coursework phase of their programs (the first two years of a Ph.D. program and the first three years of a CD student program) and have no taxes withheld. Once the student enters the dissertation phase of his or her program, the student may receive full or partial funding from a research grant. The University classifies students who receive funding from research grants as either "Research Fellows" or "Research Assistants". The University views students' work while funded by research grants as a contribution to the productivity of the advisor's laboratory and therefore providing a "service" to the laboratory. Since a service is being provided, students paid from these two payroll classifications are subject to Federal and half of the city wage tax withholdings (currently 2.13%). A "Tax Liability and University Withholding Policies for Domestic and Foreign Graduate Students" chart is included. The chart is a compilation of the graduate student payroll classifications, the student's tax liability, and University's withholding practices.

In most cases, tuition and course-related fees will be tax exempt. Therefore, the only income reported from your fellowship is typically your stipend, health insurance payment, and disability fee (only applicable to CD students). Also included is "Your 2007 Biomedical Graduate Studies OR Combined Degree Fellowship as Taxable Income". This chart provides the basic figures that each student should have received based on their year of matriculation. All of these figures should be confirmed by:

- 1) Referring to your December 2007 pay receipt for year-to-date stipend payments and using Penn-in-Touch to identify your health and disability coverage (please keep in mind that your University fellowship normally provides basic single

- health insurance coverage which cost \$1174 for Spring 2007 and \$1234 for Fall 2007); OR
- 2) By contacting BGS, 417 Anat-Chem Building.

Below is a summary of each of the tax laws and relevant information that may be of help to you.

#### FEDERAL – 2007 Return:

According the 2007 Federal tax laws, “If you received a scholarship or fellowship, all or part of it may be taxable, even if you didn’t receive a W-2 form” (IRS, Publication 4, “Student’s Guide to Federal Income Tax, 1999). Publication 4 continues to describe exemptions from income including tuition and course related fees such as general and technical fees which are charged to student accounts on a per course unit basis. In most cases, students will only be liable for stipend and health insurance payments provided by their fellowships.

International students may or may not be liable for Federal taxes. The CTO determines each student’s tax withholding based on his or her home country’s tax treaty with the United States (IRS, Publication 901, “U.S. Tax Treaties”, 1999). The Office of International Programs (OIP) will be providing tax information to International Students on a walk-in basis. You can also obtain up-to-date information through the OIP web site at: <http://www.upenn.edu/oip/fsa/tax/taxoffindex.html>

#### FEDERAL –2007 Estimated Tax Returns:

The general rule applying to estimated tax payments is “You must make estimated tax payments for 2007 if you expect to owe at least \$1,000 in tax for 2007, after subtracting your withholdings and credits...”(Tax withholding and Estimated Tax, IRS Publication 505). In order to avoid a penalty for owing more than the recommended \$1,000, students will need to complete the estimated tax return worksheet to determine their individual tax liability.

A list of Federal forms, instructions and publications are attached for your reference.

STATE: Students are subject to their home state tax laws. For example, students who are Pennsylvania residents are generally tax exempt on scholarship and fellowship awards made on the basis of need or academic achievement, if awarded to encourage or allow the recipient to further his or her educational development (PA Department of Revenue pamphlet, REV-614, 1999). In order to qualify for PA tax exemption, students will need to obtain an original letter from their home department business administrator with a detailed description of the program under which you received the award. It was also suggested that students attach a copy of the acceptance letter indicating that they were awarded a fellowship upon matriculation. BGS and CD students can obtain a duplicate copy of their fellowship letters from their respective home school academic offices.

Information on where to obtain State tax forms and information is attached.

CITY:

In October of 1995, the University and the city of Philadelphia agreed that students paid as “Teaching Assistants”, “Research Fellows”, or “Research Assistants” would only be subject to half the city wage tax withholding (~2.2% for in-city residents and ~2.04% for non-city residents). *In the past, some students have applied to the city to receive a refund of the city wage taxes that were withheld from their stipend checks. However, the CTO has advised the University community that due to this agreement with the city, all students paid from the payroll classifications mentioned above are liable since that was enacted in October of 1995 and are not entitled to a refund.* No end-of-year return needs to be filed.

Once again, all students were encouraged to contact an authorized tax consultant regarding filing obligations and tax liabilities. Students should contact Nam Narain at [narain@mail.med.upenn.edu](mailto:narain@mail.med.upenn.edu) if they have any questions regarding the information provided above.

## Key Information

- ❖ Check your **December 2007** pay receipt to determine whether or not taxes were withheld from your stipend.
  - ❖ If taxes were withheld, you will receive a W-2 (Domestic Students) or a 1042S (International Students only) by January 31. To verify the mailing address, refer to your November 2007 pay advice. If the address is incorrect, you will need to go to the Payroll Office located on the 3<sup>rd</sup> floor of the Franklin Building to request that a duplicate form be issued. Payroll will not accept address changes or request for duplicate W-2 / 1042S forms by telephone.
  - ❖ If no taxes were withheld, you will need to use your December 2007 pay receipt to indicate your year-to-date income for your tax returns.
  
- ❖ Federal Tax Forms can be obtained from:
  - ❖ The web at [http://www.irs.ustreas.gov/prob/forms\\_pubs/index.html](http://www.irs.ustreas.gov/prob/forms_pubs/index.html)
  - ❖ By telephone at 1-800-TAX-FORM
  - ❖ By Fax at 1-703-368-9694 (from a telephone connected fax machine only)
  - ❖ Local public libraries and postal offices
  
- ❖ Pennsylvania State Tax Forms can be obtained from:
  - ❖ The web at <http://www.revenue.state.pa.us>
  - ❖ Local public libraries and postal offices
  - ❖ By telephone:
    - Fact and Information line: 1-888-PATAXES (Touch-tone service required)
    - To order forms: 1-800-362-2050
    - For questions on personal taxes: 1-717-787-8201
  
- ❖ City Taxes:
  - ❖ Tax returns are not required.

**FEDERAL FORMS, INSTRUCTIONS, AND PUBLICATIONS AVAILABLE  
FOR TAX INFORMATION**

Internet Address: [http://www.irs.ustreas.gov/prod/forms\\_pubs/index.html](http://www.irs.ustreas.gov/prod/forms_pubs/index.html)

**U.S. Citizens**

Forms and Instructions

- 2007 Form 1040ES – Estimated Tax for individuals
- 2007 Form 1040EZ – Income Tax Return for Single and Joint Filers with No Dependents
- 2007 Instruction 1040EZ – Instructions for Form 1040EZ
- 2007 Form 1040A – U.S. Individual Income Tax Return
- 2007 Instructions 1040A Instructions for preparing form 1040A
- 2007 Form 1040 – U.S. Individual Tax Return
- 2007 Instructions 1040 – Instructions for Form 1040

Publications

- 4 – Students Guide to Federal Income Tax
- 54 - Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 501 - Exemptions, Standard Deduction, and Filing Information
- 505 – Tax Withholding and Estimated Tax
- 508 – Educational Expenses
- 514 – Foreign Tax Credit for Individuals
- 520 – Scholarships and Fellowships
- 525 – Taxable and Non-Taxable Income
- 529 – Miscellaneous Deductions

**International Students**

Forms and Instructions

- 4 – Students Guide to Federal Income Tax
- 54 - Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 501 - Exemptions, Standard Deduction, and Filing Information
- 505 – Tax Withholding and Estimated Tax
- 508 – Educational Expenses
- 514 – Foreign Tax Credit for Individuals
- 519 – U.S. Tax Guide for Aliens
- 520 – Scholarships and Fellowships
- 525 – Taxable and Non-Taxable Income
- 529 – Miscellaneous Deductions
- 901 – U.S. Tax Treaties

The Office of International Programs (OIP) will be providing tax information to International Students on a walk-in basis. You can also obtain up-to-date information through the OIP website: <http://www.upenn.edu/oip/fsa/tax/taxoffindex.html>

**EXCERPTS PERTAINING TO GRADUATE STUDENT PAYROLL CATEGORIES FROM THE “GRADUATE STUDENT AND POST-DOCTORAL APPOINTMENTS AT THE UNIVERSITY OF PENNSYLVANIA” ISSUED TO DEPARTMENTAL BUSINESS ADMINISTRATORS BY THE UNIVERSITY CORPORATE TAX OFFICE.**

This document defines Graduate Student and Post-Doctoral Appointments at the University of Pennsylvania and is a guide for business administrators on the current taxability of payments to the student or researcher. All individuals appointed in the job classes listed on this document must receive letters of appointment that define the length of the appointment, the level of funding, and the services expected.

Also available on the web at

<http://www.finance.upenn.edu/comptroller/tax/appointments.shtml>

**Graduate Student Appointments**

The following appointments are limited to persons registered for full time study in the graduate or professional programs of the University of Pennsylvania. Service-related appointments are for one year or less; however, they may be renewed if the renewal is consistent with limits placed on the length of service for the rank. Service-related appointments do not on average require more than 20 hours of teaching or research services per week.

**Teaching Fellow** - A Teaching Fellow is a full-time graduate student appointed to provide teaching or guidance of students directly related to the area in which his or her degree is to be conferred, and in which equivalent teaching is required of all candidates as a condition for receiving such a degree.

University Tax Withholding:

The stipend is subject to Federal income tax, but **not** Pennsylvania personal income tax. One-half of the stipend is also subject to City of Philadelphia wage tax. In addition, as a “full-time” graduate student a Teaching Fellow’s stipend is exempt from FICA/Medicare Tax.

**Research Assistant** - A Research Assistant is a full-time graduate student engaged to aid the research of an investigator or a member of the faculty. The work, even if carried out in the home department, **is not** a requirement for the degree.

University Tax Withholding:

The stipend is subject to Federal income tax and Pennsylvania personal income tax. One-half of the stipend is subject to City of Philadelphia wage tax. In addition, as a full-time graduate student a Research Assistant's stipend is exempt from FICA/Medicare tax.

**Research Fellow** - A Research Fellow is a full-time graduate student appointed for research directly related to the area in which his or her degree is to be conferred and in which equivalent research is required of all candidates as a condition for receiving such a degree.

University Tax Withholding:

The stipend is subject to Federal income tax, but **not** Pennsylvania personal income tax. One-half of the stipend is also subject to City of Philadelphia wage tax. In addition, as a full-time graduate student a Research Fellow's stipend is exempt from FICA/Medicare tax.

**Educational Fellowship Recipient** - An Educational Fellow is a full-time graduate student enrolled in a degree program. An Educational Fellow receives a fellowship that is normally paid from University of Pennsylvania funds, such as a dean's account or the University Fellowship fund, that requires no service of the student for the term of the appointment. Amounts paid to such students are to aid them in the pursuit of their studies, the primary purpose of which is to further the student's education and training.

University Tax Withholding:

Since an Educational Fellow **is not** required to perform services, the University **is not** currently required to withhold Federal income tax, FICA/Medicare tax, Pennsylvania personal income tax, or City of Philadelphia wage tax or report any payments on IRS Form W-2 (see footnote below).

**Pre-Doctoral Trainee** - A Pre-Doctoral Trainee is a full-time graduate student enrolled in a degree program, who participates in training programs directly related to his/her degree. A pre-doctoral trainee receives a fellowship that is paid from external grants but that requires no service of the student for the term of the appointment. The normal source of funding is an **U.S. government training grant** (i.e. an N.R.S.A. institutional or individual grant). A Pre-Doctoral Trainee **does not** perform services for the University, but may engage in research to further his or personal and professional development.

University Tax Withholding:

Since **no services** are required by the individual, the University **is not** currently obligated to withhold Federal income tax, FICA/Medicare tax, Pennsylvania personal income tax, or City of Philadelphia wage tax or report such payments on IRS Form W-2 (see footnote below).

Note: Although no reporting or withholding is required for U.S. students, the students must report and pay federal income tax on any payments in excess of tuition, fees, books, and certain other expenses. Further, there are special rules for international students. All Education Fellowship grants to international students must be reported on IRS Form 1042S. If the student **is not** from a tax treaty country, then federal income tax must be withheld from the stipend allowance at 14%. Those students from tax treaty countries that have a provision for scholarships and fellowships may claim exemption from withholding by completing Form C-1001. For information on international students, please consult the **Foreign Student Tax Guide**.

## YOUR 2007 BIOMEDICAL GRADUATE STUDIES FELLOWSHIP AS “TAXABLE INCOME”

Your stipend and other non-course related fees, such as health insurance, are liable to federal income tax. Your liability for other fees covered by your fellowship such as general fees, are subject to interpretation and should be clarified with the IRS or your accountant. The dollar amount you should report depends on your year of matriculation and on the amount of your fees.

*Please note that the numbers provided below represent an approximate figure based on the average amount of funds paid to the student body. The BGS Office is not an authorized tax agency. You should seek professional advice concerning completion and interpretation of tax items.*

### June Matrics – Paid a stipend from 6/11/2007 through 12/31/2007

|                  |             |  |
|------------------|-------------|--|
| Stipend          | \$14,607.86 | = 2125 X 2 plus 2210 X 4 plus \$1517.86 for June (June is pro-rated) |
| Health Insurance | \$1234      | = Fall 2007 Semester   |
| Taxable Income   | \$15,841.86 |  |

### Incoming Matrics – Registered from 9/1/2007 through 12/31/2007

|                  |          |                      |
|------------------|----------|----------------------|
| Stipend          | \$8,840  | = \$2210 X 4 months  |
| Health Insurance | \$1234   | = Fall 2007 Semester |
| Taxable Income   | \$10,074 |                      |

Note: This projection applies to student’s registered for full tuition for ONE term for the tax year 2007. Fall 2007 fees will be: \$1005 in general and \$541 in technical fees.

### First - Fifth Year – Registered from 1/1/2007 through 12/31/2007

|                  |          |  |
|------------------|----------|--|
| Stipend          | \$25,840 | = \$2125 X 8 months plus \$2210 X 4 months |
| Health Insurance | \$1174   | = Spring 2007 Semester                     |
| Health Insurance | \$1234   | = Fall 2007 Semester                       |
| Taxable Income   | \$28,248 |  |

Note: This projection applies to student’s who will be registered for full tuition for the tax year 2007. Fees for Spring 2007 term for Ph.D. students were: \$541 in technical and \$1014 in general fees. Fall 2007 fees will be: \$1005 in general and \$541 in technical fees.

### Sixth Year and Beyond – Registered from 1/1/2007 through 12/31/2007

|                  |          |  |
|------------------|----------|--|
| Stipend          | \$25,840 | = \$2125 X 8 months plus \$2210 X 4 months |
| Health Insurance | \$1174   | = Spring 2007 Semester                     |
| Health Insurance | \$1234   | = Fall 2007 Semester                       |
| Taxable Income   | \$28,248 |  |

Note: This projection applies to student’s who will be registered for dissertation tuition for the tax year 2007. Students on dissertation status are not charged any technical or general fees.

The figures above are based on the maximum possible course load. Registration schemes and stipend payments vary from student to student. BGS can provide you with the most up to date figures of tuition, fees and other taxable awards credited to your account.

**FIGURES APPEARING IN THIS CHART ARE ONLY ESTIMATES. TUITION, FEES AND STIPEND LEVELS HAVE NOT BEEN SET OR APPROVED BY UNIVERSITY OFFICIALS.**

**Tax Liability and University Withholding Policies for Domestic and Foreign Graduate Students**

|                     | Student Status         | University Payroll Categories               | Source of Support  | Tax Liability |        |        | Withholding |        |                             | Is a W-2 issued?            |
|---------------------|------------------------|---|--|---------------|--------|--------|-------------|--------|-----------------------------|-----------------------------|
|                     |                        |   |  | Federal       | State  | City   | Federal     | State  | City                        |                             |
| <b>DOMESTIC</b>     | Pre-Dissertation:      | Educational Fellowship Recipient            | University, Departmental and some non-Federal funding agencies           | Yes           | Exempt | Exempt | No          | Exempt | Exempt                      | No                          |
|                     |                        | Predoctoral Trainee                         | National Institute of Health Training Grant                              | Yes           | Exempt | Exempt | No          | Exempt | Exempt                      | No                          |
|                     | Dissertation, Yrs 3-5: | Research Fellow                             | Research Grant (R01)   | Yes           | Exempt | Yes    | Yes [a]     | Exempt | Yes [b]                     | Yes, for the mentor portion |
|                     |                        | Educational Fellowship Recipient            | University, Departmental and some non-Federal funding agencies           | Yes           | Exempt | Exempt | No          | Exempt | Exempt                      | Yes, for the mentor portion |
|                     |                        | Predoctoral Trainee                         | National Institute of Health Training Grant                              | Yes           | Exempt | Exempt | No          | Exempt | Exempt                      | Yes, for the mentor portion |
|                     |                        | Research Assistant                          | Research Grant (R01) when compensating an NIH Training Grant Appointment | Yes           | Yes    | Yes    | Yes         | Yes    | Yes                         | Yes, for the mentor portion |
|                     | Dissertation, Yr 6+:   | Research Fellow                             | Research Grant (R01)   | Yes           | Exempt | Yes    | Yes [a]     | Exempt | Yes [b]                     | Yes                         |
| Predoctoral Trainee |                        | National Institute of Health Training Grant | Yes  | Exempt        | Exempt | No     | Exempt      | Exempt | Yes, for the mentor portion |                             |

|                      | Student Status         | University Payroll Categories    | Source of Support  | Tax Liability |        |        | Withholding |        |         | Is a W-2 issued?            |
|----------------------|------------------------|----------------------------------|--|---------------|--------|--------|-------------|--------|---------|-----------------------------|
|                      |                        |                                  |  | Federal       | State  | City   | Federal     | State  | City    |                             |
| <b>INTERNATIONAL</b> | Pre-Dissertation:      | Educational Fellowship Recipient | University, Departmental and some Non-Federal funding agencies | Yes           | Exempt | Exempt | Yes [c]     | Exempt | Exempt  | No                          |
|                      | Dissertation, Yrs 3-5: | Research Fellow                  | Research Grant (R01)   | Yes           | Exempt | Yes    | Yes [d]     | Exempt | Yes     | Yes                         |
|                      |                        | Educational Fellowship Recipient | University, Departmental and some Non-Federal funding agencies | Yes           | Exempt | Exempt | Yes [c]     | Exempt | Exempt  | Yes, for the mentor portion |
|                      | Dissertation, Yr 6+:   | Research Fellow                  | Research Grant (R01)   | Yes           | Exempt | Yes    | Yes [a]     | Exempt | Yes [b] | Yes                         |
|                      |                        | Predoctoral Trainee              | National Institute of Health Training Grant                    | Yes           | Exempt | Exempt | No          | Exempt | Exempt  | Yes, for the mentor portion |

[a] Withholding applies to stipend only. Tuition & fees (general and technical fees) are tax exempt. Fellowship payments toward health insurance fees are taxable and should be included as part of your income.

[b] City wage tax for graduate student withholding is ~2.13% for in-city residents and ~2.04% for non-city residents (half of a regular employees rate).

[c] Only withheld on payments received in excess of stipend and tuition for students from countries without U.S. tax treaties.

[d] Withheld on stipend only for students from countries with U.S. tax treaties. Withheld on stipend and payments received in excess of tuition for students from countries without U.S. tax treaties.