

MEMORANDUM

December 22, 2016

Starting January 1, the University will be moving to a new classification structure for graduate student payments. This new structure is the result of legal requirements stemming from various legislative actions (e.g. the Affordable Care Act, the Fair Labor Standards Act). These actions created an opportunity to re-organize and clarify how the University reports on various graduate student positions. The resulting structure more clearly delineates the purpose and payment structure associated with each graduate appointment.

There are two overarching categories of positions described in this document. In the first category, graduate students receive a fellowship/stipend or assistantship from the University. These appointments are for positions in which the graduate student is conducting duties required by their academic program. These appointments may also be used when graduate students are receiving payments for living expenses with no expectation for service (e.g. Sproull Fellowships). The University considers these appointments educational, and the type of appointment (Grad Fellowship/Stipend vs. Grad Assistantship) depends on the source of the funding for the position.

The second category of appointment is an “add-on” appointment. This term stands for appointments additional to duties required for the academic program (i.e. an “add-on” duty). These appointments are considered work for the University, and the type of appointment (GA Add-on vs. TA Add-on) depends on whether the duties are administration, research or instructional.

Please discuss with your department and/or academic program leadership if you are unsure about the classification of your appointment.

The most significant impact of this classification structure is University tax withholding on graduate student appointments. **All graduate funding is considered taxable income, but University tax withholdings will differ depending on the type of appointment.** The following pages prepared by the University tax department describe these changes for each position and for various categories of domestic and international students. If you have questions, please contact your department administration.

Regards,

Tony Green  
Deputy to the Provost



## GRADUATE STUDENT TAX INFORMATION

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### 2017 TAX YEAR

**IMPORTANT NOTE:** This document is produced for information purposes only, and does not constitute tax, financial or legal advice. Please consult your own tax or financial professional with any questions. The University is unable to provide specific tax advice to individuals.

## I. TAXABILITY OF UR GRADUATE STUDENT PAYMENTS – INTRODUCTION

Beginning January 1, 2017, the University of Rochester is making changes with respect to payments made to graduate students. As a result of these changes, fellowships/stipends or assistantships received by U.S. citizens, permanent residents, and resident alien students will no longer have federal and state income tax withholding.

This change does not affect whether such amounts are taxable income. Graduate funding is generally considered taxable income. The only change beginning January 1, 2017 is that if you are a U.S. citizen, permanent resident or resident alien receiving a fellowship/stipend or assistantship from the University, it will no longer be subject to federal and state income tax withholding.

If you are receiving a fellowship/stipend or assistantship from the University, and you are a U.S. citizen, permanent resident, or resident alien, no taxes will be withheld and you may have to file quarterly estimated tax payments with the Internal Revenue Service (IRS) and the New York State Department of Taxation and Finance (NYSTax). Forms and instructions for estimated tax payments may be obtained from the IRS and NYSTax websites.

For more information regarding the taxability of stipend payments, please refer to IRS Publication 970, Tax Benefits for Education at <http://www.irs.gov/publications/p970/index.html>.

**These changes do not apply to fellowships/stipends or assistantships payments received prior to January 1, 2017, or to 2016 tax year returns (due April 15, 2017).**

If you have an “add-on” appointment as a research assistant, graduate assistant or teaching assistant outside of your academic program, federal and state income taxes will continue to be withheld.

Note that the tax year (calendar year) and the academic year are different. Income received during the calendar year should be reported on that year’s tax return. **The information in this document pertains to graduate stipends received in the 2017 calendar (tax) year.**

### Summary of Graduate Student Appointments

Appointment Description	HRMS Job Code
Graduate Fellowship/Stipend	6000
Graduate Assistantship	6002
GA Add-On	6004
TA Add-On	6006

## II. FELLOWSHIP AND ASSISTANTSHIP PAYMENTS (HRMS JOB CODES 6000 and 6002)

### A.) TAXABILITY - GENERALLY

All fellowship/stipend and assistantship payments are considered taxable income except any amount used on course-related expenses, such as qualified tuition/fees, books, supplies, and equipment that are required of all students in your course of instruction.

Graduate fellowship/assistantship appointments may be issued at multiple times during an academic year. Fellowship and assistantship appointments can be made for semesters, academic years or for the University's fiscal year. Also, multiple appointments may be possible depending on the availability of funding.

If you have questions regarding the type of payment you are receiving (fellowship, assistantship, add-on, etc), please contact your program leadership for clarification.

### B.) TAX WITHHOLDING & ESTIMATED TAX PAYMENTS

#### *(1.) U.S. Citizens, Permanent Residents, Resident Aliens*

Federal and New York state income taxes will not be withheld from your fellowship/assistantship payment. Fellowship/stipend and assistantship payments are not reported on Form W-2 or Form 1099. It is the responsibility of the fellowship/assistantship recipient to report taxable non-qualified fellowship/assistantship payments to the IRS. The University will provide a letter in January 2018 to each U.S. citizen, permanent resident or resident alien recipient of a taxable fellowship/assistantship that provides the total taxable fellowships/assistantships paid in the 2017 calendar year. The University is not required to report fellowship/assistantship income to the IRS. It is important to keep records and save the information you will need in order to prepare your personal tax return.

You are required to report the taxable amount on the wages line of your tax return as "SCH = \$ (taxable amount), so the amount on the "Wage" line reflects the total amount of your taxable fellowships/assistantships plus your W-2 salary/wages. The fact that the fellowship/assistantship was not reported on an information return (for example, a Form W-2) does not mean that the taxable fellowship/assistantship does not have to be reported on your tax return. New York follows federal law in the taxability of your fellowship/assistantship award. Report your fellowship/assistantship in the same manner on your NY tax return as your IRS Form 1040.

If you receive only fellowship/assistantship payments (no salary as an add-on graduate or teaching assistant, or other title) and you have a tax liability, you may want to submit federal and state quarterly estimated tax payments by using the Federal Form 1040-ES and New York State Form IT-2105. These forms contain Estimated Tax Worksheets. Your 2017 tax year estimated tax liability is due quarterly by the following dates: April 17, 2017, June 15, 2017, September 15, 2017, and January 16, 2018. Estimated tax withholding forms are available at [www.irs.gov](http://www.irs.gov) at <https://www.irs.gov/businesses/small-businesses-selfemployed/estimated-taxes> and at [www.tax.ny.gov](http://www.tax.ny.gov) at [https://www.tax.ny.gov/forms/income\\_estimated\\_forms.htm](https://www.tax.ny.gov/forms/income_estimated_forms.htm).

If you receive both a fellowship or assistantship and salary payments (as an add-on graduate or teaching assistant, or other title), you may be able to increase the amount withheld from your salary paycheck to cover any tax liability for the total combined income. This can be done electronically via the HRMS Self-Service page. Alternatively, you may authorize these additional amounts to be withheld from your salary paycheck on Line 6 of the Federal Form W-4 and Line 3 of the NY Form IT-2104. If you elect additional withholding, remember to cancel the withholding if you no longer receive fellowship or assistantship payments and receive only salary payments.

***CAUTION – AVOID TAX PENALTIES:*** If you did not pay enough tax throughout the year, either through increased withholding or by making estimated tax payments, you may have to pay a penalty. Generally, most taxpayers will avoid this penalty if they owe less than \$1,000 in tax after subtracting their withholdings and refundable credits, or if they paid at least 90% of the tax for the current year, or 100% of the tax shown on the return for the prior year, whichever is smaller. Refer to the IRS and NY instructions for details. You should consult your personal tax adviser to discuss making estimated tax payments for the taxable portion of your fellowship/assistantship income.

## ***(2.) Nonresident Aliens***

Fellowship/assistantship payments made to foreign nationals (nonresident aliens) may be subject to U.S. federal tax withholding. If your country of residence has a tax treaty with the United States, you can claim exemption from all or part of this withholding by completing Form W-8BEN and submitting it to the University Payroll office.

The University of Rochester uses the Glacier system, a Nonresident Alien Tax Compliance System, to help determine your tax status while you are going to school in the U.S. and to determine whether a tax treaty covers the types of payments made to you as a student. It is important to keep your Glacier record up to date.

Regardless of an available tax treaty benefit, the withholding rate depends on the type of visa you hold. Payments are subject to 30% tax withholding unless you have completed treaty documentation in the Glacier system and are eligible for treaty benefits. For students holding F, J, M or Q visas who are fellowship/assistantship recipients, federal tax withholding will not exceed 14%.

International students who do not already have a U.S. Social Security number and will not have an employment or “add-on” appointment as a research assistant, graduate assistant or teaching assistant during the first semester that they receive a fellowship/assistantship will need to complete an application for a federal Individual Taxpayer Identification Number (ITIN) in order to claim tax treaty benefits. Information about the ITIN and the application form (the W-7 form) can be found [here](#).

Fellowship/assistantship payments are reported on Form 1042-S. Form 1042-S will be mailed by March 15, 2018 to report 2017 income.

### III. WAGE PAYMENTS (including “add-on” appointments as a research assistant, graduate assistant or teaching assistant outside of your academic program) - HRMS JOB CODES 6004 and 6006

#### A) TAXABILITY

The entire amount of your wages is considered taxable income if you are a graduate student appointed in a student employment position, including “add-on” appointments as a teaching assistant, research assistant, graduated assistant, or other student-staff title.

#### B) W-2 ANNUAL WAGE AND TAX STATEMENT

By January 31, you should receive a Form W-2 Wage and Tax Statement from the University that reflects the total taxable salary income received the previous tax year (January 1 through December 31), and the total amount of federal and state taxes withheld from your paychecks.

#### C) TAX WITHHOLDING

You will complete a Form W-4 to instruct the Payroll office the amount of federal and state income tax to be withheld from each paycheck. (Note: Only the top copy of the W-4 needs to be submitted to Payroll; the attached worksheets are designed to assist you in determining the number of exemptions to claim).

Foreign nationals (nonresident alien students) must complete **IRS Form 8233 (PDF)** and provide it to the University Payroll office to claim any available treaty benefits (exemptions from withholding) for personal service income.

Taxes are withheld based on marital status and the number of exemptions claimed on the W-4. As a rule, single students claim “single” with “1” allowance (because they will file their Federal/State income tax forms as “single” with “1” exemption). The fewer the number of allowances or exemptions claimed (0, 1, 2, etc.), the more taxes withheld. For example, claiming “0” allowance has more withheld than “1”, claiming “1” allowance has more withheld than “2”, etc. You may have additional taxes withheld by submitting a revised W-4 form to the Payroll office to change the amount of withholding at any time.

The IRS website has a Tax Withholding Calculator to assist you in checking your tax withholding at <http://www.irs.gov/Individuals/IRS-Withholding-Calculator>.

#### D) TAX REPORTING

##### *(1.) U.S. Citizens, Permanent Residents, Resident Aliens*

The total amount shown in Box 1 of your W-2 should be reported as “wages” on line 7 of your IRS Form 1040/1040A/1040-EZ. As discussed above under the “Fellowship and Assistantship Payments” section, Box 1 should reflect your wages reported in Box 1 of your W-2 in addition to your taxable fellowships/assistantships.

##### *(2.) Nonresident Aliens*

The total amount shown in Box 1 of your W-2 should be reported as “wages” on line 8 of your IRS Form 1040NR.

**QUICK REFERENCE PAGE – FOR U.S. CITIZENS, PERMANENT RESIDENTS AND RESIDENT ALIENS**

**TAXATION OF UR TUITION AWARDS/PAYMENTS:**

Tuition/Fee Payments – Non-taxable for qualified education expenses and not reported by UR as income on Form W-2 or Form 1099.

Fellowship/Assistantship Payments – Fully taxable except any amount used on course related expenses, such as books, supplies and equipment that are required of all students in your course of instruction. No Form W-2 or Form 1099 is issued. Students must report the taxable amount on their tax return.

Wage Payments – Fully taxable, subject to federal and state income tax withholding, and reported on Form W-2.

**BRIEF OVERVIEW OF UR PAYMENTS:**

Fellowship/Assistantship Payments – Payment set up through UR payroll system

- Student files federal/state quarterly taxes (Federal Form 1040ES/New York Form 2105) or student increases withholding on other salaried income
- Stipend check sent to dept or electronically to bank (Payroll Direct Deposit)
- **Student receives no Wage and Tax Statement (W-2) from UR**
- **Letter issued in January 2018 to graduate students to show payments received during 2017**
- **Student reports taxable amount as “SCH” on 1040EZ/1040A/1040**
- Refer to the “Fellowship and Assistantship Payments” instructions

Wage Payments – Payment set up through UR Payroll system

- Student completes Form W-4 for federal/state tax withholding
- Payroll check sent to dept or electronically to bank (Payroll Direct Deposit)
- Student receives UR Form W-2 for filing of tax returns

**Overview of Graduate Student Payments – for U.S. citizens, permanent residents and resident aliens**

Appointment Description	Grad Fellowship/ Stipend	Grad Assistantship	GA Add-On	TA Add-On
HRMS Job Code	6000	6002	6004	6006
Taxable	Yes	Yes	Yes	Yes
W-2/Federal & State Tax Withheld	No	No	Yes	Yes
Subject to FICA Tax/Withholding?	No	No	No	No

## QUICK REFERENCE PAGE – FOR NONRESIDENT ALIENS

### TAXATION OF UR TUITION AWARDS/PAYMENTS:

Tuition/Fee Payments – Non-taxable for qualified education expenses and not reported by UR as income on Form W-2, Form 1099 or Form 1042-S.

Fellowship/Assistantship Payments – Fully taxable except any amount used on course related expenses, such as books, supplies and equipment that are required of all students in your course of instruction. Form 1042-S is issued. Students must report the taxable amount on their tax return.

Wage Payments – Fully taxable, subject to federal and state income tax withholding, and reported on Form W-2.

### BRIEF OVERVIEW OF UR PAYMENTS:

Fellowship/Assistantship Payments – Payment set up through UR payroll system

- Student needs to provide Form W-8BEN to claim treaty benefit
- **If student does not have a U.S. Social Security number, student must request an ITIN from the IRS in order to claim treaty benefits.**
- Form 1042-S issued in January 2018 to foreign graduate students to show taxable fellowship/assistantship payments received during 2017 and tax withholdings (if applicable)
- Stipend check sent to dept or electronically to bank (Payroll Direct Deposit)
- Student reports taxable amount on Line 7 of Form 1040NR

Wage Payments – Payment set up through UR Payroll system

- Student completes Form W-4 for federal/state tax withholding
- Payroll check sent to dept or electronically to bank (Payroll Direct Deposit)
- Student receives UR Form W-2 for filing of tax returns

### Overview of Graduate Student Payments – for nonresident aliens

Appointment Description	Grad Fellowship/ Stipend	Grad Assistantship	GA Add-On	TA Add-On
HRMS Job Code	6000	6002	6004	6006
W-2/Federal & State Tax Withheld	No (if Form W-8 BEN or Form 8233 submitted to Payroll Office)	No (if Form W-8 BEN or Form 8233 submitted to Payroll Office)	Yes (unless eligible for treaty benefit)	Yes (unless eligible for treaty benefit)
1042-S Reportable?	Yes	Yes	No (unless eligible for treaty benefit)	No (unless eligible for treaty benefit)
Subject to FICA Tax/Withholding?	No	No	No	No

### Disclaimer

Although every effort has been made to provide accurate information, the University of Rochester is not responsible for any tax liability/penalty students may incur because of the information provided by our office. The information we have provided is general and should not replace professional, IRS, NY State Department of Taxation & Finance or professional advice and assistance.