

UCSD GRADUATE STUDENT TAX INFORMATION FOR:

U.S. CITIZENS

PERMANENT RESIDENTS

RESIDENT ALIENS

2017 TAX YEAR

Graduate Division
University of California, San Diego
March 2018

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

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TAXABILITY OF UCSD PAYMENTS

The 1986 Tax Reform Act amended Section 117 of the Federal Internal Revenue Code by making all graduate student salary payments and most of the stipend payments fully taxable income; however, qualified fee and tuition awards remain non-taxable income.

California tax law follows federal law for the taxability of graduate awards. For more information, refer to IRS Publication 970, Tax Benefits for Education at <http://www.irs.gov/publications/p970/index.html>.

Refer to Section 3, Lifetime Learning Credit, if you used your own funds to pay qualified educational expenses.

In addition, you will find general information on Education tax credits and forms at <http://students.ucsd.edu/finances/fees/education-expenses.html>. This site gives a brief overview of the 1098-T form, along with a link to the TCRS web site where you can view your own 1098-T information.

Students are advised to retain Graduate Appointment Letters, fellowship stipend information, payroll wage information, as well as receipts and documents that show the total amount of your support and qualifying educational expenses.

*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.*

OTHER RESOURCES

Free tax preparation assistance (domestic): <http://www.irs.gov/Individuals/Find-a-Location-for-Free-Tax-Prep>

Free tax preparation assistance (international) – UCSD International Center: <http://ifso.ucsd.edu/living-in-sd/taxes/index.html>

Questions re. **1098-T**: 1-877-467-3821 Students may access their 1098-T at the following website: <http://www.tcrs.com/>

Questions re. **W-2**: http://blink.ucsd.edu/Blink/External/Topics/How_To/0,1260,3862,00.html

Questions re. **1099**: <https://blink.ucsd.edu/finance/tax/forms/1099.html>

Questions re. **UC Student Health Insurance Plans and 1095-B**: <http://www.ucop.edu/ucship/>

General information – Graduate Division website: <http://grad.ucsd.edu/resources/general/tax.html>

STIPEND PAYMENTS (FELLOWSHIPS, TRAINEESHIPS & SCHOLARSHIPS)

A) TAXABILITY

All stipend 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.

IMPORTANT NOTE: At UCSD, awards are usually packaged as tuition/fee payments plus monthly stipend payments; however, sometimes the fellowship fund source will not cover the entire payment of tuition/fees. In this case, the amount of stipend spent on qualified required tuition/fees is non-taxable.

B) AWARD DOCUMENTATION/PROOF OF PAYMENT (see example 1A)

A **Graduate Appointment Letter** is issued by the UCSD Graduate Division as proof of stipend payments for tax reporting purposes and/or verification of income. Stipend payments appear on the appointment letter under the heading "Stipend". Stipend payments are not reported on a UCSD W-2 or 1099 Form. **It is the responsibility of the fellowship recipient to report taxable non-qualified fellowship payments to the IRS.**

An electronic version of your Graduate Appointment Letter is available on the Graduate Division website under Student Portal at: <http://grad.ucsd.edu/resources/current.html>. You will need to log-in to the website using your UCSD PID/PAC number to view/print the letter.

Graduate Appointment Letters are issued for the fiscal year (July 1 – June 30) and are available fall quarter each year. If you received stipend payments for a full calendar year (January 1 – December 31), you will have two appointment letters for one tax year.

If you wish to claim a tax credit for educational benefits, be sure to include the 1098-T form with your tax return. **Important: The University of California has contracted with the Tax Credit Reporting Service (TCRS) to electronically produce your IRS Form 1098-T. To view your 1098-T Form you may log into your account at www.1098t.com.**

C) METHOD OF PAYMENT

Stipend payments issued to **U.S. citizens, permanent residents or resident aliens** are processed through the Student Business Services (SBS) system.

Stipend payments are automatically issued as a paper check and mailed to your home department unless you sign up for direct deposit through SBS. You may sign up for **SBS Direct Deposit** by completing the form on the web at <https://students.ucsd.edu/finances/organizations/sbs/>.

Stipend payments are issued on a monthly basis on the 1st of the month following the pay period (i.e. September stipends are issued on October 1). Paper checks are usually distributed to students by departments on the same day as salaried paychecks (i.e., same payday as TAs and GSRs).

Monthly stipend checks appear on your TritonLink account and UCSD Billing Statement. Stipend checks may not be applied to outstanding charges on your TritonLink account; however, **overdue University debts may delay issuance of your stipend payments** until the debt is resolved. Please pay attention to your billing statements and quickly resolve any debts.

Example 1A. "Graduate Appointment Letter"

UNIVERSITY OF CALIFORNIA, SAN DIEGO

UCSD

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

GRADUATE DIVISION
(858) 534-3555
FAX: (858) 534-4304

9500 GILMAN DRIVE
LA JOLLA, CALIFORNIA 92093-0003

2016-17 GRADUATE APPOINTMENT LETTER

Name:
Dept:

PID: AXXXXXXXXX
Date: January 30, 2018

You have been selected for the award(s) listed below. Please carefully review the award information listed below to verify the information matches your department award notification letter. Also be certain you read and understand the Conditions and Information section on the reverse side.

Please retain this notification for your records. You must register full time in any quarter that you receive an award (except Summer) or you may be billed for payments received that quarter.

| STIPEND | FROM | TO | AMOUNT |
|---------------------|-----------------|-----------------|-----------------|
| GRAD FELLOWSHIP/STI | 9/1/2016 | 6/30/2017 | \$15,000.00 |
| JUL: \$0.00 | OCT: \$1,500.00 | JAN: \$1,500.00 | APR: \$1,500.00 |
| AUG: \$0.00 | NOV: \$1,500.00 | FEB: \$1,500.00 | MAY: \$1,500.00 |
| SEP: \$1,500.00 | DEC: \$1,500.00 | MAR: \$1,500.00 | JUN: \$1,500.00 |

| FEE/TUITION AWARD TYPE | FROM | TO | AMOUNT |
|--------------------------|------------------|--------------------|--------------------|
| ATKINSON EXPEND 2351/FEE | 9/22/2016 | 6/16/2017 | \$16,630.77 |
| Summer: \$0.00 | Fall: \$5,543.59 | Winter: \$5,543.59 | Spring: \$5,543.59 |

PLEASE NOTE:

Stipend payments are generally issued on the 1st of the month following each pay period (e.g., January 2017 payment issued on 2/1/17).

For the 2017 calendar tax year, the student will report stipend payments issued from 1/01/17 through 12/31/17.

A student receiving stipend payments should consider making Federal and CA State Quarterly Estimated Tax Payments via the 1040ES/540ES tax forms. See: <https://www.irs.gov/forms-pubs> and <https://www.ftb.ca.gov/forms/search/index.aspx> for additional information.

D) TAX WITHHOLDING & ESTIMATED TAX PAYMENTS

Federal and California state taxes will not be withheld from your stipend payment.

If you receive only stipend payments (no salary as a GSR, TA 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 **California State Form 540-ES**. These forms contain Estimated Tax Worksheets. Payments are due by April 17 (for January - March income), June 15 (for April - May income), September 15 (for June - August income), and January 16 (for September - December income). **Forms are available at <https://www.irs.gov/forms-pubs> (1040-ES) and <https://www.ftb.ca.gov/forms/search/index.aspx> (540-ES).**

If you receive both stipend and salary payments, you may be able to increase the amount withheld from your salary paycheck to cover any tax liability for the total combined income. In Section IV of the UC W-4, you may authorize additional federal and state tax withholding. **If you elect additional withholding, you may need to cancel the withholding if you no longer receive stipend payments and receive only GSR or TA salary.**

CAUTION – AVOID TAX PENALTIES: If you did not pay enough tax throughout the year, either through withholding or by making estimated tax payments, you may have to pay a penalty. Refer to the IRS instructions for details.

E) TAX REPORTING

Specific guidelines for reporting the taxable amount of your stipend payments are in the Federal 1040/1040A/1040EZ tax instructions under Reporting Scholarship and Fellowships. See http://www.irs.gov/publications/p970/ch01.html#en_US_2012_publink1000178011.

Once you determine the taxable amount of your fellowship/scholarship payments, write "SCH" and the taxable amount of your fellowship/scholarship payments to the left of the "Wage" line. Add the "SCH" amount to your W-2 salary/wages so the amount on the "Wage" line reflects the total amount of your taxable fellowship/scholarship and W-2 salary/wages.

SALARY PAYMENTS (GSRs, TAs, ASSOCIATES, READERS AND TUTORS)

A) TAXABILITY

The entire amount of your salary is considered taxable income if you are a graduate student appointed on an academic title such as a Teaching Assistant, Graduate Student Researcher, Reader, Tutor, Associate or on a student-staff title.

B) W-2 ANNUAL WAGE AND TAX STATEMENT (see Explanation of W-2 on the next page)

By January 31, you should receive a UCSD W-2 Wage and Tax Statement 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. To sign up for an electronic W-2, read the instructions at the following link: <http://blink.ucsd.edu/finance/payroll/w2/online.html>.

PAYROLL ADDRESS IMPORTANT: If you move, you must update your address in the Payroll system by informing your department employment coordinator. The Payroll system address does not interface with your TritonLink address; you must keep a current address in both systems.

Duplicate W-2 Form: If you were paid a salary and do not receive a W-2 Form by February 1, information for obtaining your UCSD W-2 Statement is on the web at:

http://blink.ucsd.edu/Blink/External/Topics/How_To/1,1260,3862,00.html

By law, UCSD must report your salary wages to the federal and state tax agencies. Failure to receive a W-2 in the mail does not mean that your wages were not reported.

C) METHOD OF PAYMENT

Salary payments are administered through the UCSD Payroll System. The departmental staff processing your appointment will require you to complete several new hire forms before your first day of employment. When completing the "Payroll Wage Disposition Form", you will choose whether you want "Direct Deposit" in order to have your salary electronically deposited to your bank or "Check Issuance" in order to have your paychecks sent to a University mail code (department).

If you elect Direct Deposit, the system may take up to 60 days before Direct Deposit is activated. You may also sign up for Payroll Direct Deposit through "At Your Service" at:

<http://blink.ucsd.edu/finance/payroll/processes/enroll.html>.

In addition to enrolling in Direct Deposit, "At Your Service" will allow you to view/change your current tax withholdings, view/print your W-2 and monthly earnings statement, and verify employment:

<http://blink.ucsd.edu/HR/benefits/AYSO/index.html>.

Salary payments are generally paid on the 1st of the month following the month of appointment. There are two exceptions to this rule: (1) When the 1st falls on a weekend or a holiday, employees are paid on the Friday before the 1st, and (2) paychecks for December earnings are not issued until January which is the beginning of a new tax year.

For an explanation of your W-2 form, please see <http://www-bfs.ucsd.edu/pay/pdf/w2form.pdf>.

D) TAX WITHHOLDING

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

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 UC W-4 form to your hiring department or via "At Your Service" to change the amount of withholding at any time. For details, see <http://blink.ucsd.edu/finance/tax/employee/withholding.html>.

The IRS website has a **Tax Withholding Calculator** (enter "calculator" in Search IRS Site) to assist you in checking your tax withholding, <http://www.irs.gov/Individuals/IRS-Withholding-Calculator>.

Please refer to the following website for the state tax rates when they become available:

http://www.ftb.ca.gov/online/Tax_Calculator/index.asp

E) TAX REPORTING

The total amount shown in Box 1 of your W-2 should be reported as “wages” on line 7 of the IRS Form 1040/1040A.

TUITION AND FEE PAYMENTS

A) **TAXABILITY** Please refer to IRS Publication 970 for details:

http://www.irs.gov/publications/p970/ch01.html#en_US_2012_publink1000177991

To see a breakdown of UCSD tuition/fee details, go to <http://grad.ucsd.edu/financial/index.html>

For information on Education Tax Credits, please see <http://students.ucsd.edu/finances/fees/education-expenses.html>.

FOR INFORMATION REGARDING FORMS, DEADLINES AND INSTRUCTIONS, PLEASE REFER TO IRS WEB SITES:

Federal (IRS): <https://www.irs.gov/>

Federal Tax Withholding Calculator at irs.gov (enter “calculator” in Search IRS Site)

CA State: <https://www.ftb.ca.gov/>

Some IRS Publications that may assist you in filing your return. Pub. 970, Chapter 1, Scholarships, Fellowships, Grants and Tuition Reductions and Chapter 3, Lifetime Learning Credit are especially helpful.

Publication 17 Your Federal Income Tax

Publication 970 Tax Benefits for Education (good source of information)

Publication 501 Exemptions, Standard Deductions and Filing Information

Publication 505 Tax Withholding & Estimated Tax

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

TAXATION OF UCSD PAYMENTS:

| | |
|----------------------|--|
| Tuition/Fee Payments | Non-taxable for qualified education expenses and not reported by UCSD as income on W-2 or 1099 Form. |
| Salary Payments | Fully taxable and reported on W-2 Form |
| Stipend Payments | Fully taxable <u>except</u> 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 W-2 or 1099 Form is issued. Students must report the taxable amount on your tax return. |

Note: At UCSD, fellowship awards usually pay the entire amount of required tuition/fees. In a few cases, the award does not, and the amount of the stipend payments spent on qualified tuition/fees is non-taxable.

BRIEF OVERVIEW OF UCSD PAYMENTS:

| | |
|------------------|--|
| Salary Payments | <ul style="list-style-type: none">- Payment set up through UCSD Payroll system- Student completes UC W-4 for federal/state tax withholding- Payroll check sent to dept or electronically to bank (Payroll Direct Deposit)- Salary subject to Student FICA (DCP/Medicare deductions) if not registered in a minimum of 6 units or employed 80% time or more for the month (a minimum of 12 units is required for full support)- Student receives UCSD W-2 for filing of tax returns |
| Stipend Payments | <ul style="list-style-type: none">- Payment set up through Student Business Services system- Graduate Appointment Letter is available online to show proof of payment- Student files federal/state quarterly taxes (1040ES/540ES) or student increases withholding on other salaried income- Stipend check sent to dept or electronically to bank (SBS Direct Deposit)- Student receives no Wage and Tax Statement (W-2) from UCSD- Student positively reports taxable amount as "SCH" on 1040EZ/1040A/1040- Refer to the "Fellowship and Scholarship Grants" instructions |

EDUCATION TAX CREDIT/LIFETIME LEARNING CREDIT/1098-T FORM:

Refer to IRS Publication 970, Chapter 3 and "Education Tax Credit" on the Graduate Division web:
<http://grad.ucsd.edu/resources/general/tax.html>

Disclaimer

Although every effort has been made to provide accurate information, University of California is not responsible for any tax liability penalty students may occur because of the information provided by our office. The information we have provided is general and should not replace professional, Internal Revenue Service or State Franchise Tax Board advice and assistance.