Tax Information Webcast for Graduate Students

November 2022
Introduction

Today’s Presenters:

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Director
Private / Trust Solutions
PwC LLP
Topics for Discussion

● U.S. Tax Overview
● Residency Status
● Reportable Income
● Deductions and Credits
● Paying Taxes
● Filing Requirements
● State Taxation
● Social Taxes
U.S. Tax System

Pay-as-you-go System
- Pay most of your tax during the year as you earn income
  - Withholding
  - Estimated tax payments

Self Assessment System
- Taxpayers must declare and pay tax without assessment by the taxing authority

Types of Taxes
- Income Taxes
  - Federal
  - State
  - Local/City
- FICA Taxes
  - Social Security
  - Medicare
- Self Employment Tax

Timing
- Calendar year tax year (January 1 - December 31)
- Tax return filing date is April 18, 2023, instead of April 15, because of the Emancipation Day holiday
- Extension of filing deadline available, but tax is still due April 18
Federal Taxation
Tax Residency Tests

Residence for U.S. income tax purposes for foreign nationals is determined by 2 tests:

1. Green Card (Permanent Resident) Test
   - Green card holder = resident
   - Exception for residency tie breakers

2. Substantial Presence Test (SPT)
   - If in U.S. 183 days in current year = resident
   - If in U.S. less than 31 days in current year = nonresident
   - If in U.S. more than 30 days, but less than 183 days in current year, “lookback rule” is applied:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current year</td>
<td>100% of U.S. days</td>
<td>XX</td>
</tr>
<tr>
<td>First prior year</td>
<td>1/3 of U.S. days</td>
<td>XX</td>
</tr>
<tr>
<td>Second prior year</td>
<td>1/6 of U.S. days</td>
<td>XX</td>
</tr>
<tr>
<td>Total U.S. days</td>
<td>YY*</td>
<td></td>
</tr>
</tbody>
</table>

* If YY = or > 183 days = resident

Exceptions to SPT:
- Teachers/trainees on J or Q visa – exempt from counting days of U.S. physical presence for purposes of SPT for 2 out of the last 6 calendar years
- Students on F, J, M or Q visa – exempt from counting days of U.S. physical presence for purposes of SPT for 5 calendar years (or longer!)
## Taxation - Resident vs. Nonresident

<table>
<thead>
<tr>
<th></th>
<th>U.S. Resident Taxation</th>
<th>U.S. Nonresident Taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary (worldwide)</td>
<td></td>
<td>Salary (U.S. Source)</td>
</tr>
<tr>
<td>Taxable fellowships, scholarships and grants (worldwide)</td>
<td></td>
<td>Taxable fellowships, scholarships and grants (U.S. Source)</td>
</tr>
<tr>
<td>Interest income, dividend income, capital gain income (worldwide)</td>
<td></td>
<td>Interest income (possible exception on bank interest), dividend income (U.S. source)</td>
</tr>
<tr>
<td>Rental property (worldwide)</td>
<td></td>
<td>Rental property (U.S. source)</td>
</tr>
<tr>
<td><strong>Deductions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State income tax/real estate tax (capped)</td>
<td></td>
<td>State income tax (capped)</td>
</tr>
<tr>
<td>Mortgage interest</td>
<td></td>
<td>Charitable contributions</td>
</tr>
<tr>
<td>Charitable contributions</td>
<td></td>
<td>No standard deduction allowed</td>
</tr>
<tr>
<td>There are no longer deductions for dependents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard deduction allowed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>○ Fixed deduction between $12,950 and $25,900 depending on marital status (updated annually)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>○ Residents choose the greater of itemized deductions or the standard deduction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Treaty Exemptions

The U.S. has tax treaties with a number of countries, which may reduce/exempt U.S. taxes on certain types of payments for tax residents of the treaty country.

If this applies to you
Complete Form 8233 (for compensation) or Form W-8BEN (income other than compensation)

Form 8233 will need to be completed and provided for the University for implementation

The University will then exempt the applicable amount from withholding

Later discussion on examples

File a tax return to claim benefits
Generally, all foreign nationals who earn income in the U.S. must file a tax return, and exemption from U.S. tax under treaty does not relieve the filing obligation

You will receive a 1042-S showing the full amount paid and whether a treaty exemption applied

Income received that is exempt from tax under a treaty must still be reported on the tax return

You can still apply for tax treaties when you file your income tax return

https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z
Federal Taxation - Scholarships and Fellowships

If you receive a scholarship, a fellowship grant, or other grant, all or part of the amounts you receive may be tax-free.

Qualified Scholarships and Fellowships

Not taxable, if:
- You are enrolled as a candidate for a degree, and
- The scholarship/fellowship is used to pay fees for enrollment, books, supplies and equipment required for the courses.

Non-Qualified Scholarships and Fellowships

Considered taxable, if:
- Includes stipends for living expenses such as room and board, travel, research, and optional equipment.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant.

Report this income on the wages line of your tax return.
DO I INCLUDE MY SCHOLARSHIP, FELLOWSHIP, OR EDUCATION GRANT AS INCOME ON MY TAX RETURN?

Qualified Portion: Not Included as Income (ex: Tuition)

Non-Qualified Portion: Included as Income

The portion of the scholarship, fellowship or grant that was not used for qualified educational expenses must be included in your income.

Other Expenses (ex: Travel)

Services (ex: TA, RA)

The part of the scholarship, fellowship or grant that was designated for items other than tuition or course-related expenses must be included in income.

The portion of the scholarship, fellowship or grant that was for services you provided must be reported as income.

https://www.irs.gov/help/ita/do-i-include-my-scholarship-fellowship-or-education-grant-as-income-on-my-tax-return
Used to figure the amount of scholarship or fellowship which is tax-free (Line 7) and amount which is taxable (Line 9)
Taxable Scholarship and Fellowship

Q - If I received an outside scholarship, am I required to pay tax on it?

A - Generally, if the scholarship is used for qualified education expenses (such as tuition and fees), then it is not considered taxable.

If any portion of the scholarship is used for non-qualified expenses, then that portion will need to be reported as taxable income.
## Federal Taxation - Income Types

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Taxable Income</th>
<th>Tax Withholding (Resident)</th>
<th>Tax Withholding (Nonresident)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Scholarship or Fellowship</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Not subject to tax</td>
</tr>
<tr>
<td>Non-Qualified Scholarship or Fellowship (or stipend)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Nonresident withholding on Form 1042-S</td>
</tr>
<tr>
<td>Prize or Award</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Assistantship in Teaching/Research</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Withholding based on Form W-4 completed by student</td>
</tr>
<tr>
<td>Other Hourly Wages</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
### Tax Deductions and Credits - Resident Taxpayers

<table>
<thead>
<tr>
<th>Tax Deductions</th>
<th>Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce taxable income</td>
<td>Reduce tax liability</td>
</tr>
<tr>
<td>Examples of Tax Deductions:</td>
<td>Examples of Tax Credits:</td>
</tr>
<tr>
<td>● Student Loan Interest Deduction</td>
<td>● American Opportunity Tax Credit</td>
</tr>
<tr>
<td>● Self-Employment Tax</td>
<td>● Lifetime Learning Credit</td>
</tr>
<tr>
<td>● Standard Deduction</td>
<td>● Foreign tax credit</td>
</tr>
<tr>
<td>● Itemized Deductions</td>
<td>● Child tax credit</td>
</tr>
</tbody>
</table>

- **Tax Deductions:**
  - Student Loan Interest Deduction
  - Self-Employment Tax
  - Standard Deduction
  - Itemized Deductions

- **Tax Credits:**
  - American Opportunity Tax Credit
  - Lifetime Learning Credit
  - Foreign tax credit
  - Child tax credit
# Tax Deductions

<table>
<thead>
<tr>
<th>Tax Deductions</th>
<th>Reduce taxable income</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Loan Interest Deduction</strong></td>
<td>Up to $2,500, subject to phaseouts (2022)</td>
<td>Before adjusted gross income (AGI) is calculated</td>
</tr>
<tr>
<td></td>
<td>● Single phase out $70,000 - $85,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Married filing jointly phaseout $140,000 - $175,000</td>
<td></td>
</tr>
<tr>
<td><strong>Self-Employment Tax</strong></td>
<td>Deduct employer equivalent portion of self employment tax (50% of SE tax)</td>
<td></td>
</tr>
<tr>
<td><strong>Standard Deduction</strong></td>
<td>Fixed deduction (2022) for resident taxpayers depending on marital status (updated annually)</td>
<td>After adjusted gross income, before taxable income is calculated</td>
</tr>
<tr>
<td></td>
<td>● Single/Married filing separately $12,950</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Married filing jointly $25,900</td>
<td></td>
</tr>
<tr>
<td><strong>Itemized Deductions</strong></td>
<td>Deduction for expenses allowed by the IRS</td>
<td>Resident taxpayers can claim either standard deduction or itemized deductions</td>
</tr>
<tr>
<td></td>
<td>Common examples:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● State taxes paid (capped)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Charitable contributions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>● Mortgage Interest (resident taxpayers)</td>
<td></td>
</tr>
</tbody>
</table>
## Tax Credits - Education

<table>
<thead>
<tr>
<th>Tax Credits</th>
<th>Reduce tax liability</th>
<th>40% (up to $1,000) is refundable</th>
<th>For payments made in 2022 for academic periods beginning in 2022 or the first 3 months of 2023</th>
</tr>
</thead>
</table>
| **American Opportunity Tax Credit (AOTC)** | Up to $2,500 per eligible student, subject to phaseouts (2022)  
• Single phase out $80,000 - $90,000  
• Married filing jointly phaseout $160,000 - $180,000  
Credit for qualified education expenses paid for an eligible student for the first four years of higher education |                                                                                                                                                           | Resident taxpayers only  
Can only claim one credit per student per tax year  
Claim on Form 8863                                                                                           |
| **Lifetime Learning Credit (LLC)**   | Up to $2,000 per tax return, subject to phaseouts (2022)  
• Single phase out $80,000 - $90,000  
• Married filing jointly phaseout $160,000 - $180,000  
Credit for qualified tuition and fees paid for eligible students for all years of post-secondary education and courses to acquire/improve job skills. This credit is per Taxpayer, not per Student | Not refundable                                                                                                                                               |                                                                                                                                                               |
Tax Credits - Education

**Q** - I am a Nonresident Alien, can I claim an education tax credit?

**A** - Generally, a Nonresident Alien cannot claim an education tax credit unless:

- you are married and choose to file a joint return with a U.S. citizen or resident spouse, or
- you are a married dual-status alien, and choose to be treated as a U.S. resident for the entire year. See Publication 519, U.S. Tax Guide for Aliens for more information.
## Tax Credits - Other Examples

<table>
<thead>
<tr>
<th>Tax Credits</th>
<th>Reduce tax liability</th>
<th>Not refundable</th>
<th>Claim on Form 1116</th>
</tr>
</thead>
</table>
| **Foreign Tax Credit**          | - If you paid or accrued foreign taxes to a foreign country on foreign source income and you are subject to U.S. tax on that same income  
  - Reduces double taxation  
  - Limited to the lesser of the U.S. tax liability on the foreign sourced income or foreign taxes paid/accrued                                                                                                                                                                                                          |               |                     |
| **Child Tax Credit**            | - Up to $2,000 for each qualifying child in 2022, subject to phaseouts  
  - The credit amount begins to phase out where modified adjusted gross income (MAGI) exceeds:  
    - Single phase out begins at $200,000  
    - Married filing jointly phase out begins at $400,000  
  Child must be U.S. citizen or resident alien and have a Social Security Number  
  The increased age allowance for a qualifying child has expired. A child must be 17 at the end of 2022 to be a qualifying child.  
  Advance child tax credit payments have not been issued for 2022.  
  Many changes to the CTC for 2021 implemented by the American Rescue Plan Act of 2021 have expired                                                                                                                                                          |               |                     |
| **Credit for Other Dependents** | - Up to $500 per dependent, subject to phaseouts  
  - Single phase out begins at $200,000  
  - Married filing jointly phase out begins at $400,000  
  For dependents who are not qualifying children for the Child Tax Credit. Dependents must have SSN or ITIN.                                                                                                                                                                          |               |                     |
## Federal Tax Rate Schedules

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Federal Tax Rates (2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Individual</strong></td>
<td><strong>Married Filing Joint</strong></td>
</tr>
<tr>
<td>$0 - $10,275</td>
<td>$0 - $20,550</td>
</tr>
<tr>
<td>$10,275 - $41,775</td>
<td>$20,550 - $83,550</td>
</tr>
<tr>
<td>$41,775 - $89,075</td>
<td>$83,550 - $178,150</td>
</tr>
<tr>
<td>$89,075 - $170,050</td>
<td>$178,150 - $340,100</td>
</tr>
<tr>
<td>$170,050 - $215,950</td>
<td>$340,100 - $431,900</td>
</tr>
<tr>
<td>$215,950 - $539,900</td>
<td>$431,900 - $647,850</td>
</tr>
<tr>
<td>$539,900 and above</td>
<td>$647,850 and above</td>
</tr>
</tbody>
</table>

### Progressive tax
- The tax rate increases as your income increases
- Tax brackets are adjusted annually for inflation
- If your taxable income is under $100,000, use the IRS tax tables to determine tax liability

### Filing status
- Determines which tax rates apply to you
- Marital status as of December 31 of the tax year
- Nonresident married taxpayers cannot use the joint filers rates
Example - Calculate Tax Liability

<table>
<thead>
<tr>
<th>Single Resident Taxpayer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Fellowship Income</td>
</tr>
<tr>
<td>+ Plus: Interest Income</td>
</tr>
<tr>
<td>= Adjusted Gross Income</td>
</tr>
<tr>
<td>- Less: Standard deduction*</td>
</tr>
<tr>
<td>= Taxable Income</td>
</tr>
</tbody>
</table>

* Only available to U.S. tax residents

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Federal Tax Rates (2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Individual</td>
<td></td>
</tr>
<tr>
<td>$0 - $10,275</td>
<td>10%</td>
</tr>
<tr>
<td>$10,275 - $41,775</td>
<td>12%</td>
</tr>
<tr>
<td>$41,775 - $89,075</td>
<td>22%</td>
</tr>
</tbody>
</table>

Taxable income $17,080

$10,275 \times 10\% = 1,028$

$6,805\times 12\% = 817$

Federal tax liability

$1,028 + 817 = 1,845$

Tax liability per tax tables = $1,844

** ($17,080-10,275)
**Sample Pay Statement**

---

**Statement of Earnings, Taxes & Deductions**

**TAX DATA:**

- **Federal**
- **NJ State**

**Princeton University**

**Pay Group:** MCG
**Pay Begin Date:** 12/01/2017
**Pay End Date:** 12/31/2017
**Check Date:** 12/21/2017

---

**HOURS AND EARNINGS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
<th>Hours</th>
<th>Earnings</th>
<th>Current</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition Support</td>
<td>4.00</td>
<td>1</td>
<td>4,004.00</td>
<td>4,004.00</td>
<td></td>
</tr>
<tr>
<td>Fellowship Stipend - Acad Year</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Asst in Research - Acad Year</td>
<td>1.40</td>
<td>0.5</td>
<td>607.00</td>
<td>607.00</td>
<td></td>
</tr>
<tr>
<td>Asst in Instruction - Acad Yr</td>
<td>1.55</td>
<td>0.5</td>
<td>777.50</td>
<td>777.50</td>
<td></td>
</tr>
<tr>
<td>Asst in Research - Summer</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Earnings:**

- Total Current: 4,708.00
- Total YTD: 16,180.00

**TAXES**

- **Current:**
  - Fed Withholding: 207.92
  - NJ Withholding: 50.00
  - Fed MED EE: 0.00
  - Fed OASD/EE: 0.00

- **YTD:**
  - Fed Withholding: 1,558.76
  - NJ Withholding: 337.00
  - Fed MED EE: 0.00
  - Fed OASD/EE: 490.00

---

**BEFORE TAX DEDUCTIONS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students' Bill</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Total Gross</td>
<td>38,200.00</td>
<td>38,200.00</td>
</tr>
<tr>
<td>Fed Taxable Gross</td>
<td>28,000.00</td>
<td>28,000.00</td>
</tr>
<tr>
<td>Total Tax</td>
<td>2,507.17</td>
<td>2,507.17</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>2,517.36</td>
<td>2,517.36</td>
</tr>
<tr>
<td>Net Pay</td>
<td>31,204.48</td>
<td>31,204.48</td>
</tr>
</tbody>
</table>

---

**Employer Paid Benefits**

<table>
<thead>
<tr>
<th>Category</th>
<th>Current</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross</td>
<td>38,200.00</td>
<td>38,200.00</td>
</tr>
<tr>
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<td>2,517.36</td>
<td>2,517.36</td>
</tr>
<tr>
<td>Net Pay</td>
<td>31,204.48</td>
<td>31,204.48</td>
</tr>
</tbody>
</table>

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**Notes:**

- **Non Taxable Tuition Support**
- **Taxable Fellowship Stipend:**
  - Self report on tax return
  - Make any necessary quarterly tax payments
- **Taxable Compensation (AI, AR, Hourly Work):**
  - Reported on W-2 at year end
  - Taxes withheld on paycheck

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**Confidential**
Payment of Taxes

The U.S. is a pay-as-you-go tax system - Pay most of your tax during the year as you earn or receive income via withholding and estimated tax payments

If you do not pay enough tax during the year, either through withholding or by making estimated tax payments, you may be subject to an underpayment penalty.

“Safe Harbor” - To avoid an underpayment penalty, you must pay at least 90% of the taxes owed for a given year — or 100% of the liability from the prior year (110% if your prior year’s adjusted gross income exceeded $150,000)

<table>
<thead>
<tr>
<th>Tax Withholding</th>
<th>Estimated Tax Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes are withheld from income you receive and the amount withheld is paid to the IRS on your behalf.</td>
<td>Method of paying tax on income that is not subject to withholding.</td>
</tr>
<tr>
<td>Amount of tax withheld is based on Form W-4 Information.</td>
<td>There are four payment periods.</td>
</tr>
<tr>
<td>IRS W-4 App - Tax Withholding Estimator (<a href="https://www.irs.gov/individuals/tax-withholding-estimator">https://www.irs.gov/individuals/tax-withholding-estimator</a>)</td>
<td>Payments can be made by mailing a check, paying online, or by phone (<a href="https://www.irs.gov/payments">https://www.irs.gov/payments</a>)</td>
</tr>
</tbody>
</table>
Estimated Tax Payments

Taxpayers should make estimated tax payments if:
- Tax withheld from income is not enough to cover tax liability for the year
- Income received did not have taxes withheld

Examples of when you want to pay estimated taxes:
- Received taxable scholarship/fellowship income (U.S. or Foreign)
- Significant investment or foreign sourced income
- In business for yourself

When to pay estimated tax payments:

<table>
<thead>
<tr>
<th>For the period</th>
<th>Est. Tax Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1 - March 31</td>
<td>April 15</td>
</tr>
<tr>
<td>Jan 1 - May 31</td>
<td>June 15</td>
</tr>
<tr>
<td>Jan 1 - Aug. 31</td>
<td>September 15</td>
</tr>
<tr>
<td>Jan 1 - Dec. 31</td>
<td>January 15, next year</td>
</tr>
</tbody>
</table>
**Estimated Tax Payments**

**Form 1040-ES**
- Worksheet to estimate taxes (regular installment method)
- Instructions on how to pay (by check, by phone or electronically)

**How to determine estimated tax payments:**
1. Calculate total tax liability for the year on all income
2. Determine amount you must pay by the due date of each payment period (to avoid a penalty for that period)

<table>
<thead>
<tr>
<th>Regular Installment Method</th>
<th>Annualized Installment Method</th>
</tr>
</thead>
</table>
| ● If your income is basically the same throughout the year  
  ● Divide total estimated tax due by 4 | ● If income is not received evenly throughout the year  
Use Worksheet 2-7 of Pub. 505 Annualized Estimated Tax Worksheet to determine quarterly payment amounts required |
2022 Estimated Tax Worksheet

Estimated Tax Worksheet - Form 1040-ES

Use for Regular Installment Method

- Lines 1 - 11c estimate annual tax liability
- Lines 12a-c determine safe harbor amount
- Line 13 accounts for withholdings (from previous job, spouse’s job, etc)
- Lines 14a-b determines if estimated payments are required
- Line 15 is quarterly payment amount
Paying Estimated Tax Payments

Make tax payments online - https://www.irs.gov/payments
Penalties & Interest

<table>
<thead>
<tr>
<th>Failure to File Penalty</th>
<th>Failure to Pay Penalty</th>
<th>Underpayment Penalty (Failure to Pay Proper Estimated Tax)</th>
<th>Interest</th>
</tr>
</thead>
</table>

When penalties apply: Filing your tax return (or extension) late and/or not paying taxes owed when they are due

- If you owe taxes and do not file a tax return or extension on time
- You will incur different penalties (and owe the IRS interest) if you filed your return or extension on time, but do not pay the taxes you owe by the tax deadline

When penalties generally don't apply: If you are expecting a refund and do not file a tax return on time.

It is better to file your tax return (or extension) and pay as much taxes as you can, vs. not filing at all - The penalties for not filing a tax return (or a tax extension) are higher than not paying taxes owed
# Penalties & Interest

<table>
<thead>
<tr>
<th>Failure to File Penalty</th>
<th>Failure to Pay Penalty</th>
<th>Underpayment Penalty (Failure to Pay Proper Estimated Tax)</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>When you don’t file your tax return by the return due date, April 15, or extended due date if an extension to file is requested and approved</td>
<td>When you don’t pay the taxes reported on your return in full by the due date, April 15 An extension to file doesn’t extend the time to pay</td>
<td>When you don’t pay enough taxes due for the year Estimated tax payments are generally required if you expect to owe $1,000 or more when the return is filed. “Safe Harbor” - To avoid an underpayment penalty, you must pay at least 90% of the taxes owed for a given year — or 100% of the liability from the prior year (110% if your prior year's AGI exceeded $150,000)</td>
<td>When you do not pay the amount owed on time, the IRS is required by law to charge interest Generally, the IRS charges interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including all interest and any penalty charges</td>
</tr>
<tr>
<td>● 5% per month of amount owed ● Reduced by the “failure to pay” penalty amount for any month where both penalties apply</td>
<td>● 0.5% of tax not paid by due date, April 15 ● Recurring charge on the remaining unpaid tax each month or part of a month following the due date, until the tax is fully paid or until 25% is reached ● Full monthly charge applies, even if the tax is paid before the month ends</td>
<td>● Calculated on Form 2210 ● 1.744% of the amount you owe (using &quot;short method&quot;) ● Penalty applies to each period separately</td>
<td>● Currently 3% (updated quarterly) ● Federal short-term rate plus 3 percentage points ● Compounds daily</td>
</tr>
</tbody>
</table>
**Filing Requirements**

U.S. Federal tax return is due April 15 for the previous tax year
- If you cannot file by this date, you can file Form 4868 to request a 6 month extension (extended filing deadline is Oct. 15)
- All tax is still due April 15

If your withholding/estimated tax payments were close to your final liability, you should have a small refund or balance due with filing your tax return

<table>
<thead>
<tr>
<th>Residents</th>
<th>Nonresidents</th>
</tr>
</thead>
</table>
| ● Form 1040 Federal Income Tax Return  
● Reporting worldwide income received during the tax year | F, J, M or Q visa holders:  
● Form 8843 to claim nonresident tax status  
● Form 1040NR Federal Income Tax Return  
● Reporting any U.S. sourced income received during the calendar year  
All other visa holders:  
● Form 1040NR Federal Income Tax Return  
● Reporting any U.S. sourced income received during the calendar year |
Form 1040NR Federal Income Tax Return - Nonresident
## Tax Related Document Summary

<table>
<thead>
<tr>
<th>Tax Document</th>
<th>Issued For</th>
</tr>
</thead>
<tbody>
<tr>
<td>W-2</td>
<td>Salary and wage payments to employees and students (including foreign nationals) excluding wages that are exempt under a tax treaty</td>
</tr>
<tr>
<td>1099-MISC</td>
<td>Prizes, royalties, fellowship payments with no federal income tax withheld and other income</td>
</tr>
<tr>
<td>1098-T</td>
<td>Tuition statement</td>
</tr>
</tbody>
</table>
| 1042-S (foreign nationals only) | -- Salary and wage payments to employee and student foreign nationals covered by a tax treaty  
-- Fellowship payments to employee and student foreign nationals where federal income tax withheld  
-- Honoraria, prizes and awards, fellowships |
### Sample Form W-2

#### Taxable Compensation (AI, AR)

---

**Form W-2 Wage and Tax Statement 2017**

- **Employer's name, address, and ZIP code:**
  - Princeton University
  - Treasurer's Office
  - 701 Carnegie Center, Suite 442
  - Princeton, NJ 08544

- **Employee's name, address, and ZIP code:**
  - Princeton Tiger
  - 94 Fake Street
  - Apt 66
  - Princeton, NJ 08525

- **State:**
  - NJ

- **State ID number:**
  - 210-634-501

- **State wages, tips, etc.:**
  - 19850.00

- **Social security tips:**
  - 19850.00

- **Federal income tax withheld:**
  - 1558.76

- **Wages, tips, other compensation:**
  - 19850.00

- **Social security wages:**
  - 8000.00

- **Social security tax withheld:**
  - 496.00

- **Medicare wages and tips:**
  - 8000.00

- **Medicare tax withheld:**
  - 116.00

- **Employer identification number (EIN):**
  - 21-0634501

- **Employee's social security number:**
  - 000-11-2222

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This information is being furnished to the Internal Revenue Service. OMB No. 1545-0098

Visit the IRS website at www.irs.gov/file

**Dept. of the Treasury - IRS**
Reporting Taxable Fellowships & Scholarships

Amount to Report:
- Non-qualified fellowship/scholarship
  - W-2 (issued only for services in relation to fellowship/scholarship)
  - Grant/Fellowship/Scholarship Letter

Where to Report:
- Form 1040, Line 1
  - Include the taxable portion in the “Wages, salaries, tips” line of the return.
  - If not included on a W-2 or 1042-S enter “SCH” along the line.
- Form 1040NR, 1040NR-EZ – report on “Scholarship and fellowship grants” line
New Jersey State Tax Residency

**Domicile**
- The principal and permanent home which you intend to return whenever absent (such as vacation, business assignment, educational leave, etc.)
- A person can only have one domicile

**Permanent place of abode**
- A home is not permanent if it is maintained only for a temporary period to accomplish a particular purpose (e.g., temporary job assignment)
- A home used only for vacations is not a permanent home

<table>
<thead>
<tr>
<th>Full Year Resident</th>
<th>Full Year Nonresident</th>
<th>Part Year Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New Jersey was your domicile for the entire year, and you did not satisfy all three conditions for nonresident status; or&lt;br&gt;• New Jersey was not your domicile, but you maintained a permanent place of abode in New Jersey for the entire year and you spent more than 183 days in New Jersey.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• New Jersey was not your domicile, and you spent 183 days or less here; or&lt;br&gt;• New Jersey was not your domicile, you spent more than 183 days here, but you did not maintain a permanent home here; or&lt;br&gt;• New Jersey was your domicile and you met all three of the following conditions for the entire year: 1. You did not maintain a permanent place of abode in New Jersey; and 2. You did maintain a permanent place of abode outside of New Jersey; and 3. You did not spend more than 30 days in New Jersey.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If, as a result of a change of your domicile, you met the definition of New Jersey resident or nonresident for only part of the year, you are a&lt;br&gt;• Resident for part of the year (part-year resident), and&lt;br&gt;• Nonresident for the remainder of that year (part-year nonresident).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Domicile

- The principal and permanent home which you intend to return whenever absent (such as vacation, business assignment, educational leave, etc.)

Permanent place of abode

- A home is not permanent if it is maintained only for a temporary period to accomplish a particular purpose (e.g., temporary job assignment)
- A home used only for vacations is not a permanent home
New Jersey Tax Filings

Who should file a New Jersey Tax Return?

- If you are a New Jersey tax resident and received income during the year from any source
- If you are not a New Jersey tax resident but you received income during the tax year from sources within New Jersey
New Jersey Taxation of Scholarships/Fellowships

Qualified Scholarship/Fellowship
Not included in New Jersey gross income (same tax treatment as Federal)

Fellowship Stipends
Not subject to New Jersey state taxes (but are subject to Federal tax), so long as the below applies (Per the instructions for New Jersey Resident Return Form NJ-1040 - page 19)

Scholarships and Fellowship Grants - This type of income is taxable unless the scholarship or grant meets all of the following conditions:
1. The primary purpose of the grant is to further the recipient’s education or training; and
2. The grant does not represent payments for past, present, or future services that are subject to the direction or supervision of the grantor (e.g., a fellowship given in exchange for teaching); and
3. The grant is not for the benefit of the grantor.

Assistantships in Research and Instruction Stipends, paid as salary
Taxable in New Jersey (same tax treatment as Federal)

- Will have New Jersey taxes withheld
- Reported on Form W-2 Annual Wage Statement
### New Jersey Tax Rate Schedules 2021

#### Table A

<table>
<thead>
<tr>
<th>FILING STATUS:</th>
<th>Single Married/CU partner, filing separate return</th>
</tr>
</thead>
<tbody>
<tr>
<td>STEP 1</td>
<td>STEP 2</td>
</tr>
<tr>
<td>If Taxable Income (Line 41) is:</td>
<td>Enter Line 41</td>
</tr>
<tr>
<td>Over But not over</td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Table B

<table>
<thead>
<tr>
<th>FILING STATUS:</th>
<th>Married/CU couple, filing joint return Head of household Qualifying widow(er)/surviving CU partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>STEP 1</td>
<td>STEP 2</td>
</tr>
<tr>
<td>If Taxable Income (Line 41) is:</td>
<td>Enter Line 41</td>
</tr>
<tr>
<td>Over But not over</td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

New Jersey Income Tax Brackets
Other States

If you worked in, or were a student in, more than one state (New York or California, for example), in the same year because you moved from one state to another, you may be required to file tax forms in the other state.

Which form to use?

Nonresident / Part-year Resident

- Generally less than 183 days present in a state or no place of abode, (rental apartment, home, or similar dwelling)
- Taxed on only income earned in the state and/or all income received or earned during part-year residency

Resident

- Living in a state, or more than 183 days presence, with place of abode
- Taxed on income from all sources
Other States (cont.)

Where can one find information to help determine if you have a state filing requirement?

- Try searching for the following keywords on your preferred search engine
  - “Individual Income Tax”,
  - “Filing Requirements”, and
  - Specific State

- For example, when you typed “Individual Income Tax Filing Requirements Utah” into a search engine. The first result will be “Who Must File a Utah Income Tax Return” via https://incometax.utah.gov/instructions/who-must-file

- If you view this link, you will see it shows “Who Must File?”, “Qualified Exempt Taxpayer” and “Nonresident Filing Exemption”

- Please make sure to use a “.gov” websites. These websites will have the most current information.
Social Taxes
### U.S. Social Taxes

The taxes under the Federal Insurance Contributions Act (FICA) are comprised of **social security taxes** and **Medicare taxes**

- Employee working for a U.S. employer typically is liable for U.S. social taxes
- Employee funds 50% and employer funds 50%

<table>
<thead>
<tr>
<th>Social security - EE</th>
<th>Medicare - EE</th>
<th>Additional Medicare - EE</th>
<th>Self employment tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate is 6.2% on wages up to $147,000 (wage base for tax year 2022)</td>
<td>Tax rate is 1.45% on all wages</td>
<td>Tax rate is 0.9% on wages above a certain threshold</td>
<td>Fully funded by self employed individual</td>
</tr>
<tr>
<td>Funds retirement pension</td>
<td>Funds health insurance at age 65</td>
<td>Threshold dependent on filing status ($200,000 for single filers)</td>
<td>Covers employee and employer portion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid through estimated tax payments</td>
</tr>
</tbody>
</table>

**Student Exemption**
- Generally, students do not have to pay FICA taxes if they performs services “as an incident to and for the purpose of pursuing a course of study”
- Students and trainees (on F, J, M, and Q visas) are exempt from U.S. Social Taxes while a nonresident for Federal purposes using the SPT

To qualify for Social Security benefits
- Individuals need 10 years of work (40 credits) to be eligible for retirement benefits
- Earn Social Security credits when you work in a job and pay Social Security taxes
- One credit for each $1,510 of earnings (amount of earnings for tax year 2022), up to the maximum of four credits per year
- Amount of benefit is based on how much you earned during working career and age at which you decide to retire
U.S. Tax System - Recap

Pay-as-you-go System
- Pay most of your tax during the year as you earn income
  - Withholding
  - Estimated tax payments

Self Assessment System
- Taxpayers must declare and pay tax without assessment by the taxing authority

Types of Taxes
- Income Taxes
  - Federal
  - State
  - Local/City
- FICA Taxes
  - Social Security
  - Medicare
- Self Employment Tax

Timing
- Calendar year tax year (January 1 - December 31)
- Tax return filing date is April 18
- Extension of filing deadline available, but tax is still due April 18
Thank you