

2016 Form 1042-S: Explanation of Income Reporting for Foreign Nationals

Princeton University will distribute the 2016 Form 1042-S to employees and students no later than March 15, 2017.

The following types of income received from Princeton University during calendar year 2016 are reported on Internal Revenue Service (IRS) Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding):

Categories of Income you may receive from Princeton University during calendar year 2016

- Fellowship or scholarship**, whether subject to or exempted from federal tax withholding paid to nonresident aliens;
- Assistantship payments (in research and instruction), hourly earnings, and other wages for teaching or research** that was exempt from federal tax withholding because of a tax treaty in effect between the United States and the recipient's country of tax residence. (Please note that the taxable portion of these types of payments and earnings (those that were subject to federal tax withholding in 2016) are reported on IRS Forms W-2, distributed in January of 2017).
- Prizes** is subject to federal tax withholding paid to nonresident aliens

Explanation of Categories on 2016 Form 1042-S

Princeton University primarily uses the following income codes:

- 16- Scholarship and Fellowship
- 18- Compensation for dependent personal services (student from Canada)
- 19- Compensation for teaching
- 20- Compensation during studying and training
- 54-Other Income- Prizes and Awards (not eligible for tax treaty exemption)

Sample of 2016 Form 1042

Form 1042-S		Foreign Person's U.S. Source Income Subject to Withholding				2016		OMB No. 1545-0096			
Department of the Treasury Internal Revenue Service		Information about Form 1042-S and its separate instructions is at www.irs.gov/form1042s .				Copy B for Recipient					
		AMENDED		PRO-RATA BASIS REPORTING							
1 Income code	2 Gross income	3 Chapter indicator. Enter "3" or "4"	3a Exemption code	4a Exemption code	13e Recipient's U.S. TIN, if any						
16	100.00	3	00	15	123456789						
5 Withholding allowance	6 Net income	3b Tax rate	4b Tax rate	13f Ch. 3 status code	13g Ch. 4 status code						
		14	0	16							
7a Federal tax withheld	7b Check if tax not deposited with IRS pursuant to escrow procedure										
14.00	<input checked="" type="checkbox"/>										
8 Tax withheld by other agents	9 Tax paid by withholding agent	10 Total withholding credit	11 Amount repaid to recipient	12a Withholding agent's EIN	12b Ch. 3 status code	12c Ch. 4 status code	14a Primary Withholding Agent's Name (if applicable)	14b Primary Withholding Agent's EIN	15a Intermediary or flow-through entity's EIN, if any	15b Ch. 3 status code	15c Ch. 4 status code
		14.00		21-XXXXXXX	02		Trustees of Princeton University				
12d Withholding agent's name	12e Withholding agent's Global Intermediary Identification Number (GIIN)	12f Country code	12g Foreign taxpayer identification number, if any	15d Intermediary or flow-through entity's name	15e Intermediary or flow-through entity's GIIN	15f Country code	15g Foreign tax identification number, if any	15h Address (number and street)	15i City or town, state or province, country, ZIP or foreign postal code	16a Payer's name	16b Payer's TIN
Trustees of Princeton University											
12h Address (number and street)	12i City or town, state or province, country, ZIP or foreign postal code	13a Recipient's name	13b Recipient's country code	16c Payer's GIIN	16d Ch. 3 status code	16e Ch. 4 status code	17a State income tax withheld	17b Payer's state tax no.	17c Name of state		
701 Carnegie Center Ste 442	Princeton, NJ 08540 USA	John Smith	UK								
13c Address (number and street)	13d City or town, state or province, country, ZIP or foreign postal code										
123 Any Street	Princeton, NJ 08540 USA										

(keep for your records)

Form **1042-S** (2016)

Income subject to tax withholding

Fellowship or Scholarship (Taxable Income)

Box 1 – Income code: 16 – Scholarship or fellowship grants;

Box 2 – Gross income: The total dollar amount of all scholarship or fellowship stipends paid by Princeton University in 2016;

Box 3- Chapter 3- Indicates withholding rule type with corresponding entries in box 3a and 3b;

Box 3a-Exemption code: 00 – Indicates the scholarship or fellowship stipend is subject to tax withholding;

Box 3b- Tax rate: 14.00;

Box 4a- Ch 4 Exemption Code: Payee not subject to Chapter 4 withholding

Box 4b- Ch 4 Tax Rate: This amount is equal to \$0, indicating that no federal tax withholding was applied

Box 5 – Withholding Allowances: Blank;

Box 6 – Net income: Blank;

Box 7 – U.S. Federal tax withheld: The total dollar amount of federal tax withholding applied to the scholarship or fellowship payments in 2016; amount is 14% of Box 2.

Box 9—Tax paid by withholding agent: Tax withholding paid to the IRS on your behalf by the University

Box 10- Total withholding credit: Total tax withholding paid to the Internal Revenue Service

Fellowship or Scholarship (Treaty eligible-exempt from federal tax withholding)

If there is a tax treaty in effect between the United States and the student's or fellow's country of tax residence, the treaty may allow some or all of the scholarship or fellowship stipends to be exempted from FIT withholding once IRS Form W-8BEN is submitted. If a Form W-8BEN has been submitted for 2016, any scholarship or fellowship income exempted from federal income tax withholding will appear as follows on the Form 1042-S:

Box 1 – Income code: 16 – Scholarship or fellowship grants;

Box 2 – Gross income: The total dollar amount of all scholarship or fellowship stipends paid by Princeton University in 2016;

Box 3- Chapter 3- Indicates withholding rule type with corresponding entries in box 3a and 3b;

Box 3a- Exemption code: 04 – Indicates the scholarship or fellowship stipends exempted from federal tax withholding under a tax treaty agreement;

Box 3b- Tax rate: This amount is equal to \$0, indicating that no federal tax withholding was applied

Box 4a- Ch 4 Exemption Code: Payee not subject to Chapter 4 withholding

Box 4b- Ch 4 Tax Rate: This amount is equal to \$0, indicating that no federal tax withholding was applied

Box 5 – Withholding Allowances: Blank;

Box 6 – Net income: Blank;

Box 7 – U.S. Federal tax withheld: This amount is equal to \$0, indicating that no federal tax withholding applied

Box 9—Tax paid by withholding agent: Tax withholding paid to the IRS on your behalf by the University

Box 10- Total withholding credit: Total tax withholding paid to the Internal Revenue Service

Assistantship Payments, Hourly Work and Other Wage Payments (Treaty eligible- exempt from federal tax withholding)

Certain tax treaties permit a portion of income from personal services (assistantships, hourly work and other wage payments) to be exempted from federal tax withholding once IRS Form 8233 is submitted and approved.

Box 1 – Income code: 18, 19 or 20 –Wage payments to students and fellows are listed as Code 20 (Compensation during studying and training); wage payments to employees are listed as Code 19 (Compensation for teaching); wage payments to Canadian residents (employees, fellows and students) are listed as Code 18 (Compensation for dependent personal services);

Box 2 – Gross income: The total dollar amount of all assistantship payments, hourly earnings and other wages paid to the employee, fellow or student by Princeton University in 2016;

Box 3- Chapter 3- Indicates withholding rule type with corresponding entries in box 3a and 3b;

Box 3a- Exemption code: 04 – Indicates the compensation/wages exempted from federal tax withholding under a tax treaty agreement;

Box 3b- Tax rate: 00.00;

Box 4a- Ch 4 Exemption Code: Payee not subject to Chapter 4 withholding

Box 4b- Ch 4 Tax Rate: This amount is equal to \$0, indicating that no federal tax withholding was applied

Box 5 – Withholding Allowances: Blank;

Box 6 – Net income: Blank;

Box 7 – U.S. Federal Tax Withheld: This amount is equal to \$0, indicating that no federal tax withholding was applied.

Box 9—Tax paid by withholding agent: Tax withholding paid to the IRS on your behalf by the University

Box 10- Total withholding credit: Total tax withholding paid to the Internal Revenue Service

Prizes (Taxable Income)

Box 1 – Income code: 54 – Prizes;

Box 2 – Gross income: The total dollar amount of all prizes paid by Princeton University in 2016;

Box 3- Chapter 3- Indicates withholding rule type with corresponding entries in box 3a and 3b;

Box 3a- Exemption code: 00 – Indicates the prize payment is subject to federal tax withholding;

Box 3b- Tax rate: 30.00;

Box 4a- Ch 4 Exemption Code: Payee not subject to Chapter 4 withholding

Box 4b- Ch 4 Tax Rate: This amount is equal to \$0, indicating that no federal tax withholding was applied

Box 5 – Withholding Allowances: Blank;

Box 6 – Net income: Blank;

Box 7 – U.S. Federal tax withheld: The total dollar amount of federal tax withholding applied to the prize payments in 2016; this amount is 30% of Box 2.

Box 9—Tax paid by withholding agent: Tax withholding paid to the IRS on your behalf by the University

Box 10- Total withholding credit: Total tax withholding paid to the Internal Revenue Service

Explanation of Other Boxes on the Form 1042-S

Following is an explanation of other boxes on Form 1042-S that may contain information:

Box 13e – Recipient’s U.S. TIN: This box contains the employee, entity, fellow or student U.S. Social Security Number (SSN), Individual Taxpayer Identification Number (ITIN) or Employer Identification Number (EIN).

Note: Box 13e will remain blank if no SSN or ITIN has been provided. **Non-citizen individuals are strongly urged to apply for a U.S. SSN or ITIN and to report the number to the Payroll Office immediately upon receipt to avoid any tax complications or assessments.**

Box 13f Ch3 Status Code – Recipient code: 16 – Indicates the employee, fellow or student is an individual.

Recipient code: 15- Indicates the entity is a corporation

Boxes 13b – Recipient’s country of residence for tax purposes and Country code: Indicates the country of resident for tax purposes, and associated IRS country code, of the non-citizen employee, fellow or student.

Boxes 17a, 17b & 17c – State tax information: The boxes will remain blank, any applicable State income and tax information will be reported on the Form W-2.

Tax Information available on the Davis International Center Web site:

The [Davis International Center](#) website contains tax season guidelines to assist with your 2016 tax filing needs.

Tax Information available via the Web:

Information about filing individual Federal tax returns, along with downloadable tax forms, instructions and publications, can be accessed on the Internal Revenue website: www.irs.gov .