Tax Issues Associated with Reporting Fellowships

John Barrett
Tax Manager-University of California
Office of the President-CFO Division

Benjamin Tsai
Senior Tax Analyst

Arthur Quilao
Tax Compliance Analyst

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Scope

- This presentation applies to UC postdoctoral fellows and paid directs, and graduate students
- This is *not* intended to provide tax advice; it is informational only and points to published resources such as the IRS and Franchise Tax Board. Please consult your personal tax advisor for more information
Tax Filing Question

- What is the deadline for filing your 2019 Income Tax Return?
  - April 15, 2020
Fellowship Grants

• How does the IRS treat fellowship grants for income tax purposes?
  ➢ These grants may be classified as either fellowship or compensation, based on the facts and circumstances of the particular program.
Non-compensatory Fellowship Grants

- These are bona fide "fellowships" and not compensation for services rendered.
  - Therefore, these are not wage income subject to OASDI and Medicare.
  - However, these are still taxable income you need to report on your tax return because they are “nonqualified” fellowships, as explained in later slides.
Compensatory Fellowship Grants

• A grant represents compensation for services if either of the following apply:
  ➢ There is a requirement for past, present, or future teaching, research, or other employment services by the recipient; or
  ➢ The grant payment enables the recipient to "pursue studies or research primarily for the benefit of the grantor."

• Therefore, the compensation received by the recipients-
  ➢ are the recipients’ gross income, and
  ➢ must be reported as gross taxable income on the recipients’ income tax returns.
  ➢ may be subject to OASDI and Medicare
Example

- Fellowship vs. Compensation Determination
  (see checklist)
**EXHIBIT G**  Fellowship vs. Compensation Determination

<table>
<thead>
<tr>
<th>Campus:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program or Type of Award:</td>
<td></td>
</tr>
<tr>
<td>PI:</td>
<td>Dept</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Fellowship</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Does the focus of the program relate primarily to (a) the performance of research services for the University, or (b) the development of the research fellow’s training skills?</td>
<td>(b)</td>
<td>(a)</td>
</tr>
<tr>
<td>2. Does the research fellow serve as a replacement or substitute for an employee, such as a medical resident or laboratory technician?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Do the activities of the research fellow during his/her training program materially benefit the University?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Are the research fellow’s projects determined by the research fellow in conjunction with his/her training supervisor and/or faculty mentor?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>5. Is the research fellow required to perform past or future services for the University as a condition to receiving the research fellowship grant?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Are the research activities conducted by the research fellow substantially the same as those research activities conducted by NIH National Research Service Award grantees?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>7. Does the research fellow receive substantially the same training and mentoring as a NIH National Research Service Award grantee?</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

If all of the Fellowship boxes are marked, the individual will be treated as a fellowship recipient for federal tax purposes.
EXHIBIT G (Cont.)

**Fellowship vs. Compensation Determination**

If all of the Fellowship boxes were not marked, then please make fellowship/compensation determination by responding to the following questions:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Are the research fellow’s projects directly related to the fulfillment of a sponsored research agreement or other University contractual obligation?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>2. Is the research fellow required to perform his/her research activities according to certain planned time schedules, e.g., a specified number of hours a day or week and a specified number of weeks during the year?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Is the research fellow subject to the same level and type of supervision over the conduct of his/her research activities as a University research assistant employee?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>4. Is the research fellow classified as an employee for University payroll tax purposes?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>5. Does the research fellow receive health and other employee benefits that would be provided to career faculty and staff employees?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Does the research fellow receive any faculty privileges?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

If four or more of the Fellowship boxes are marked, the individual will be treated as a fellowship recipient for federal tax purposes. If fewer than four Fellowship boxes are marked, please submit this checklist to [insert name of applicable office] who will make the fellowship/compensation determination.

If 4 or more Fellowship boxes are marked, then treated as a Fellowship

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Examples of Fellowships

- Fellowship funds paid directly by the University to the Postdoc Fellow (3253)
- Fellowship funds provided by a third party on behalf of the Postdoc Fellow (Paid Directs) (3254)
  - Example: Award intended to pay recipient’s expenses are paid directly by a third party to UC and credited to a recipient’s University account
  - Payment is treated the same for tax purposes as having been paid to the recipient
Taxable versus Nontaxable Scholarships and Fellowships

- Scholarships and Fellowships are Nontaxable if they are used for:
  - tuition and fees **required** for the enrollment or attendance of the University
  - books, supplies, and equipment **required** for courses of instruction at the University
- These Nontaxable Scholarships and Fellowships are referred to as **“qualified”**
FORM 1098-T

- The Form 1098-T reports qualified tuition and related expenses, scholarships, fellowships, and grants administered by the University without regard for its possible taxability.
- The Form 1098-T is generally only provided to U.S. citizens and resident aliens.
Example of Form 1098-T

<table>
<thead>
<tr>
<th>FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number</th>
<th>1 Payments received for qualified tuition and related expenses</th>
<th>OMB No. 1545-1574</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000</td>
<td>2019</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FILER'S employer identification no.</th>
<th>STUDENT'S TIN</th>
<th>3</th>
<th>4 Adjustments made for a prior year</th>
<th>5 Scholarships or grants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STUDENT'S name</th>
<th>Street address (including apt. no.)</th>
<th>City or town, state or province, country, and ZIP or foreign postal code</th>
<th>6 Adjustments to scholarships or grants for a prior year</th>
<th>7 Check this box if the amount in box 1 includes amounts for an academic period beginning January—March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Provider/Acc. No. (see instr.)</th>
<th>8 Check if at least half-time student</th>
<th>9 Check if a graduate student</th>
<th>10 IRS contract reimb./refund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

Assume: Adjusted qualified education expenses =

(BOX 1) $25,000

(BOX 5) $10,000

Adjusted qualified education expenses = $15,000

Report the “Adjusted qualified education expenses” to reduce your income taxes
Example: If a scholarship exceeds qualified education expenses

Assume the following:

Scholarship/Fellowship grants = $30,000
Qualified Tuition/Expenses = $26,000
• $25,000 Tuition
• $1,000 Nonacademic Enrollment Fees (Example: Student Health Insurance)
Books/Required Course Materials = $500

Question: How much is taxable nonqualified scholarship/fellowship?
### Additional Example: Nonqualified scholarship and fellowship payment amount

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Payments received for qualified tuition and related expenses</td>
<td>$26,000</td>
</tr>
<tr>
<td>2 Scholarship or grants</td>
<td>$30,000</td>
</tr>
<tr>
<td>8 Check if at least half-time student</td>
<td></td>
</tr>
<tr>
<td>30,000 Box 5 – Scholarships</td>
<td></td>
</tr>
<tr>
<td>(1,000) (subtract nonacademic fees first as best tax strategy)</td>
<td></td>
</tr>
<tr>
<td>(25,000) Box 1 – Nonacademic Fees (use this first to determine qualified</td>
<td></td>
</tr>
<tr>
<td>scholarship)</td>
<td></td>
</tr>
<tr>
<td>(500) Required Books</td>
<td></td>
</tr>
<tr>
<td>3,500 (taxable income because scholarships exceed expenses)</td>
<td></td>
</tr>
<tr>
<td>Nonqualified scholarship and fellowship payment amount</td>
<td></td>
</tr>
</tbody>
</table>
Example: If scholarship is less than qualified education expenses

Assume the following:

Scholarship/Fellowship grants = $20,000
Qualified Tuition/Expenses = $29,000
  • $28,000 Tuition
  • $1,000 Nonacademic Enrollment Fees (Example: Student Health Insurance)
Books/Required Course Materials = $500

Question: How much is the credit?
**Additional Example: Qualified education expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Qualified Education Expenses for taxpayer to take credit*</td>
<td>9,500*</td>
</tr>
<tr>
<td>Required Books</td>
<td>500</td>
</tr>
<tr>
<td>Box 1 - Qualified tuition</td>
<td>28,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box 1 – Nonacademic Fees (use this first to determine qualified scholarship)</td>
<td>(1,000) (subtract nonacademic fees first as best tax strategy)</td>
</tr>
<tr>
<td>Box 5 – Scholarships and Grants</td>
<td>20,000</td>
</tr>
</tbody>
</table>

*Please remember the following:
1. You may take the credit
2. The credit has a $2,000 limit, which can be further reduced depending on your income and qualified education expenses.
Reporting of Nonqualified Scholarship and Fellowship Payments

- The University is **not** required to report these payments to the IRS or withhold tax on the payments.
  - Exception: The University does have to report and withhold Nonqualified Scholarship and Fellowship Payments made to **nonresident aliens** on IRS Form 1042-S

- Graduate Students who are **U.S. citizens or resident aliens** are **required to self-report** the total annual value of their fellowships, including benefits for themselves and their dependents, when they prepare their U.S. and California income tax returns.
Taxable versus Nontaxable Scholarships and Fellowships

- Taxable if used to pay for expenses other than *required* tuition, fees, books, supplies and equipment.
- These Taxable Scholarships and Fellowships are referred to as “nonqualified”
- Example of Taxable Scholarship & Fellowship Payments:
  - Room and Board
  - Travel
  - Health Insurance Premiums
  - Other Living Expenses
Health Benefits

• The taxability of health benefits provided by the University to a postdoctoral scholar depends on whether the recipient of the benefits is
  ➢ a Postdoc Employee, or
  ➢ a Postdoc Fellow and/or a Postdoc Paid Direct.
Health Benefits-Postdoc Fellows and Pay Directs

- Health benefits provided by the University to Postdoctoral Fellows (TC 3253) and Paid Directs (TC 3254) \{i.e., non-employees\} and their dependents are subject to U.S. income tax with respect to the premiums that are paid by the University, less any amounts paid by the recipient (imputed income).
- Benefits provided to the domestic partner of a Postdoctoral Fellow or Paid Direct also are taxable (for federal purposes) whether or not the domestic partner qualifies as a dependent. State tax treatment may differ.
- These benefits are not subject to FICA taxes.
Health Benefits-Postdoc Employees

- Health benefits provided by the University are not taxable (both U.S. and California income taxes) if they are provided to the following:
  - Postdoc Employees {TC 3252} (includes U.S. citizens, U.S. resident aliens, and nonresident aliens)
  - Dependents of Postdoc Employees
- The presence of a 3252 appointment of 50% or more along with a 3253 or 3254 will make the benefit treatment not taxable
- Health benefits provided by the University to the domestic partner of a postdoctoral employee, less any amount paid by the employee, will be taxable income to the postdoctoral employee for federal purposes (unless the domestic partner is a dependent of the postdoc employee)
Reporting of Nonqualified Scholarship and Fellowship Payments

- The University is **not** required to report these payments to the IRS or withhold tax on the payments.
  
  - Exception: The University does have to report and withhold Nonqualified Scholarship and Fellowship Payments made to **nonresident aliens** on IRS Form 1042-S

- Graduate Students, Postdoctoral Fellows and Paid Directs who are **U.S. citizens** or **resident aliens** are **required to self-report** the total annual value of their fellowships, including benefits for themselves and their dependents, when they prepare their U.S. and California income tax returns.
Income Taxation of Nonqualified Scholarships and Fellowship Grants

- Federal Income Taxes
  - Who are required to pay?
    - U.S. citizens
    - Resident Aliens
    - Nonresident Aliens (it depends)
Federal Income Taxes
U.S. Citizens and Resident Aliens*

- Subject to regular graduated income tax rates on income received from all sources.
  - The income received from all sources include income from both within and outside the United States.
Federal Income Taxes
Nonresident Aliens

- These Nonqualified Scholarships and Fellowships are reported on an IRS Form 1042-S
- Generally, the University has to withhold 30 percent of Nonqualified Scholarship and Fellowship payments under I.R.C. Section 1441(a).
- For Nonresident Aliens with an F, J, M, or Q visa, the University has to withhold 14 percent of Nonqualified Scholarship and Fellowship payments under I.R.C. Section 1441(a)-(b).
Federal Income Taxes
Nonresident Aliens

- Exceptions to Nonresident Alien Withholding Laws:
  - Foreign Source Fellowship
  - Income Tax Treaties that reduce or eliminate U.S. withholding taxes*
  - Grant that is a qualified scholarship or fellowship and not subject to tax withholding

* For a list of income tax treaties, please visit the IRS website (www.irs.gov) and type in "United States Income Tax Treaties - A to Z"
Example of Form 1042-S

<table>
<thead>
<tr>
<th>Income code</th>
<th>Gross income</th>
<th>Chapter indicator: Enter &quot;3&quot; or &quot;4&quot;</th>
<th>Exemption code</th>
<th>Tax rate</th>
<th>Exemption code</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Withholding allowance

6. Net income

7a. Federal tax withheld

7b. Check if federal tax withheld was not deposited with the IRS because escrow procedures were applied (see instructions)

7e. Check if withholding occurred in subsequent year with respect to a partnership interest

8. Tax withheld by other agents

9. Overwithheld tax repaid to recipient pursuant to adjustment procedures (see instructions)

10. Total withholding credit (combine boxes 7a., 8, and 9)

11. Tax paid by withholding agent (amounts not withheld) (see instructions)

12a. Withholding agent’s EIN

12b. Ch. 3 status code

12c. Ch. 4 status code

13a. Recipient’s U.S. TIN, if any

13b. Recipient’s GIN

13i. Recipient’s foreign tax identification number, if any

13j. LOB code

13k. Recipient’s account number

13n. Recipient’s date of birth (YYYYMMDD)

14a. Primary Withholding Agent’s Name (if applicable)

14b. Primary Withholding Agent’s EIN

15. Check if pro-rata basis reporting

15a. Intermediary or flow-through entity’s EIN, if any

15b. Ch. 3 status code

15c. Ch. 4 status code

15d. Intermediary or flow-through entity’s name

15e. Intermediary or flow-through entity’s GIN

16a. Payer’s name

16b. Payer’s TIN

16c. Payer’s GIN

16d. Ch. 3 status code

16e. Ch. 4 status code

17a. State income tax withheld

17b. Payer’s state tax no.

17e. Name of state

18f. Country code

18g. Foreign tax identification number, if any

18h. Address (number and street)

18i. Address (number and street)

18j. City or town, state or province, country, ZIP or foreign postal code

18k. City or town, state or province, country, ZIP or foreign postal code

For Privacy Act and Paperwork Reduction Act Notice, see instructions.
Tax Treaty Exemption

- A Nonqualified Scholarship or Fellowship paid to a nonresident alien (NRA) *may* be treated as tax exempt for federal tax purposes *if* the NRA is from a country that has a tax treaty with the United States.

- If the Nonqualified Scholarship or Fellowship is deemed to be exempt the NRA would need to complete additional forms:
  - PostDoc Employee - Form 8233 (Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual) and a Tax Treaty Statement.
  - Nonqualified Scholarship or Non-employee Fellowships – Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding)
Tax Treaty Exemption

- IRS Publications 519 and 901 contain information on tax treaties.
- Contact your campus International Office to obtain access to the GLACIER Nonresident Alien Tax Compliance Software which will determine treaty eligibility and assist with completing the necessary forms.
Dual Status Aliens

- If you feel you may be a dual status alien for the tax year, please refer to IRS Publication 519.
- You may also contact the campus International Office for access to the Glacier Nonresident Alien Tax Software system which will help guide you through the residency determination process.
How Does the Fellow Report Taxable Fellowships?

- Federal Income Tax Reporting:
  - U.S. Citizens and U.S. Resident Aliens report their Fellowship Grants and Estimated Tax Payments on IRS Form 1040 (Line 1)
  - Since the Lines for these IRS Forms are only for amounts specified on Form W-2, the instructions indicate to write “SCH” and the fellowship amount on the following:
    - On the dotted line next to Line 1 of IRS Form 1040
  - Nonresident Aliens report their Fellowship Grants on IRS Form 1040NR (Line 12) or Form 1040NR-EZ (Line 5)
Fitness Wellness Center – For some reason, the web site says we cannot find this NAICS code 731941.
U.S. Citizens and Resident Aliens – 1040 Form – Page 2

<table>
<thead>
<tr>
<th>Form 1040 (2019)</th>
<th>Page 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>12a</strong> Tax (see inst.) Check if any from Form(s): 1 □ 8314 2 □ 4972 3 □ 12b</td>
<td></td>
</tr>
<tr>
<td><strong>13a</strong> Child tax credit or credit for other dependents 13a</td>
<td></td>
</tr>
<tr>
<td><strong>14</strong> Subtract line 13b from line 12b. If zero or less, enter -0-</td>
<td></td>
</tr>
<tr>
<td><strong>15</strong> Other taxes, including self-employment tax, from Schedule 2, line 10</td>
<td></td>
</tr>
<tr>
<td><strong>16</strong> Add lines 14 and 15. This is your total tax 16</td>
<td></td>
</tr>
<tr>
<td><strong>17</strong> Federal income tax withheld from Forms W-2 and 1099 17</td>
<td></td>
</tr>
<tr>
<td><strong>18</strong> Other payments and refundable credits: 18</td>
<td></td>
</tr>
<tr>
<td>a Earned income credit (EIC) 18a</td>
<td></td>
</tr>
<tr>
<td>b Additional child tax credit. Attach Schedule 8812 18b</td>
<td></td>
</tr>
<tr>
<td>c Additional credit from Schedule 8834, line 8 18c</td>
<td></td>
</tr>
<tr>
<td>d Schedule 3, line 14 18d</td>
<td></td>
</tr>
<tr>
<td>e Add lines 18a through 18d. These are your total other payments and refundable credits 18e</td>
<td></td>
</tr>
<tr>
<td><strong>19</strong> Add lines 17 and 18e. These are your total payments 19</td>
<td></td>
</tr>
<tr>
<td><strong>20</strong> If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid 20</td>
<td></td>
</tr>
<tr>
<td><strong>21a</strong> Amount of line 20 you want refunded to you. If Form 8862 is attached, check here ➤ 21a</td>
<td></td>
</tr>
<tr>
<td><strong>22</strong> Amount of line 20 you want applied to your 2020 estimated tax ➤ 22</td>
<td></td>
</tr>
<tr>
<td><strong>23</strong> Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions ➤ 23</td>
<td></td>
</tr>
<tr>
<td><strong>24</strong> Estimated tax penalty (see instructions) ➤ 24</td>
<td></td>
</tr>
</tbody>
</table>

**Refund**

Direct deposit? See instructions.

**Amount You Owe**

Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions.

**Third Party Designee**

(Other than paid preparer)

Designee’s name ➤ Phone no. ➤ Personal Identification number (PIN) ➤

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature ➤ Date ➤ Your occupation ➤ If the IRS sent you an Identity Protection PIN, enter it here (see inst.) ➤

If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) ➤

Spouse’s signature. If a joint return, both must sign ➤ Date ➤ Spouse’s occupation ➤

**Paid Preparer Use Only**

Preparer’s name ➤ Preparer’s signature ➤ Date ➤ PTIN ➤

Check if: 3rd Party Designee ➤ Self-employed ➤

Firm’s name ➤ Firm’s EIN ➤

Go to www.irs.gov/Form1040 for instructions and the latest information.
**1040NR Tax Form For Nonresident Aliens**

### Income Effectively Connected With U.S. Trade/Business

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Wages, salaries, tips, etc.</td>
<td>10,000</td>
</tr>
<tr>
<td>9a</td>
<td>Taxable interest</td>
<td>9,000</td>
</tr>
<tr>
<td>10a</td>
<td>Tax-exempt interest, Do not include on line 9a</td>
<td>10,000</td>
</tr>
<tr>
<td>11</td>
<td>Taxable refunds, credits, or offsets of state and local income taxes (see instructions)</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Scholarship and fellowship grants, Attach Form(s) 1042-S or required statement (see instructions)</td>
<td>12</td>
</tr>
<tr>
<td>13</td>
<td>Business income or loss, Attach Schedule C (Form 1040 or 1040-SR)</td>
<td>13</td>
</tr>
<tr>
<td>14</td>
<td>Capital gain or loss, Attach Schedule D (Form 1040 or 1040-SR) if required, if not required, check here</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>Other gains or (losses)</td>
<td>15</td>
</tr>
</tbody>
</table>

### Adjusted Gross Income

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>Educator expenses (see instructions)</td>
<td>24</td>
</tr>
<tr>
<td>25</td>
<td>Health savings account deduction, Attach Form 8889</td>
<td>25</td>
</tr>
<tr>
<td>26</td>
<td>Moving expenses for members of the Armed Forces, Attach Form 3905</td>
<td>26</td>
</tr>
<tr>
<td>27</td>
<td>Deductible part of self-employment tax, Attach Schedule SE (Form 1040 or 1040-SR)</td>
<td>27</td>
</tr>
<tr>
<td>28</td>
<td>Self-employed SEP, SIMPLE, and qualified plans</td>
<td>28</td>
</tr>
<tr>
<td>29</td>
<td>Self-employed health insurance deduction (see instructions)</td>
<td>29</td>
</tr>
<tr>
<td>30</td>
<td>Penalty on early withdrawal of savings</td>
<td>30</td>
</tr>
<tr>
<td>31</td>
<td>Scholarship and fellowship grants excluded</td>
<td>31</td>
</tr>
<tr>
<td>32</td>
<td>IRA deduction (see instructions)</td>
<td>32</td>
</tr>
<tr>
<td>33</td>
<td>Student loan interest deduction (see instructions)</td>
<td>33</td>
</tr>
</tbody>
</table>

### Tax and Credits

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>34</td>
<td>Add lines 24 through 33</td>
<td>34</td>
</tr>
<tr>
<td>35</td>
<td>Adjusted Gross Income, Subtract line 34 from line 23</td>
<td>10,000</td>
</tr>
<tr>
<td>36</td>
<td>Taxable income exempt by a treaty from page 5, Schedule O1, item L(10)</td>
<td>36</td>
</tr>
<tr>
<td>37</td>
<td>Taxable income exempt by a treaty from page 5, Schedule O1, item M</td>
<td>37</td>
</tr>
<tr>
<td>38</td>
<td>Qualified business income deduction, Attach Form 8995 or Form 8995-A</td>
<td>38</td>
</tr>
<tr>
<td>39</td>
<td>Exemptions for estates and trusts only (see instructions)</td>
<td>39</td>
</tr>
</tbody>
</table>
Federal Tax Resources

- GLACIER Tax Prep: [GTP](http://www.irs.gov/Filing)
- Franchise Tax Board: “Other Online Filing Options” [https://www.ftb.ca.gov/individuals/efile/allsoftware.shtml?WT.mc_id=HP_Onilne_AllFilingOptions&WT.svl=HEf2](https://www.ftb.ca.gov/individuals/efile/allsoftware.shtml?WT.mc_id=HP_Onilne_AllFilingOptions&WT.svl=HEf2)
- IRS Form Instructions:
  - [1040](http://www.irs.gov/1040)
  - [1040NR](http://www.irs.gov/1040NR)
  - [1040NR-EZ](http://www.irs.gov/1040NR-EZ)
  - [1040-ES](http://www.irs.gov/1040-ES)
Federal Tax Resources

- **Publication 5307**: Tax Reform Basics for Individuals and Individuals
- **Publication 515**: Withholding of Tax on Nonresident Aliens and Foreign Entities
- **Publication 519**: U.S. Tax Guide for Aliens
- **Publication 901**: U.S. Tax Treaties
- **Publication 970**: Tax Benefits for Education
- IRS Notice 87-31: Taxation of Grants
Federal Tax Resources

- **Publication 5307**: Tax Reform Basics for Individuals and Individuals
- **Publication 515**: Withholding of Tax on Nonresident Aliens and Foreign Entities
- **Publication 519**: U.S. Tax Guide for Aliens
- **Publication 901**: U.S. Tax Treaties
- **Publication 970**: Tax Benefits for Education
- IRS Notice 87-31: Taxation of Grants
- IRS Website: [United States Income Tax Treaties - A to Z](https://www.irs.gov/identity-theft-central)
California State Income Taxes

- Who are required to pay?
  - U.S. citizens
  - Resident Aliens
  - Nonresident Aliens
    - California does not generally conform to Federal tax treaties.
    - Residents of foreign countries who perform services in California or who receive income from California sources are usually subject to State income tax withholding.
California State Income Taxes

• Residents of California
  ➢ Generally, a “resident of California” for income tax purposes is someone who lives in California for more than 9 months in a tax year, files a resident tax return, registered to vote, etc.
  ✔ Please refer to FTB Publication 1031 for guidelines on California residency status

• Nonresidents of California
  ➢ California does not require reporting or withholding on fellowship grant payments, except for the portion that represents payment for services
  ➢ Fellow should review requirements for self reporting items subject to California income taxes
How Does the Fellow Report Taxable Fellowships?

- California State Income Tax Reporting:
  - California Residents report their Federal Adjusted Gross Income on Line 13 of FTB Form 540
  - California Nonresidents and Part-Year Residents report their Federal Adjusted Gross Income on Line 13 of FTB Form 540NR
California Residents

Line 13 – Federal Adjusted Gross Income
Line 13 – Federal Adjusted Gross Income

10,000
California Tax Resources

- [FTB Publication 1031](#) Guidelines for Determining Resident Status
- [FTB Publication 1017](#): Resident and Nonresident Withholding Guidelines
- Franchise Tax Board (FTB) Website: “[Individuals](#)”: 
California Tax Resources

- FTB’s [Online Filing Options]:
- FTB Form Instructions:
  - [540]
  - [540NR]
University Resources

- UC Website: https://www.ucop.edu/financial-accounting/units/payroll-coordination-and-tax-services/
- GLACIER Nonresident Alien Tax Preparation Software
Thank you.

Any Questions?