

# Tax Issues Associated with Reporting Fellowships



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# Scope

- This presentation applies to UC postdoctoral fellows and paid directs, and graduate students
- There is tuition associated with graduate students
- Assumption is that there are no services being performed by the Fellows and Paid Directs or 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 2016 Income Tax Return?
  - April 15, 2016



# National Research Service Award (NRSA)

- How does the IRS treat NRSA grants and fellowship grants "modeled" on the NRSA program?
  - 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**" fellowship, as explained in later slides.

# Fellowship Grants Not “Modeled” on the NRSA Program

- But what about fellowship grants **not** “modeled” on the NRSA program?
  - Non-NRSA grant programs may be classified as either fellowship or compensation, based on the facts and circumstances of the particular program

\* A requirement that a recipient furnish periodic reports to the grantor for the purpose of keeping the grantor informed with respect to the general progress of the individual, however, is not considered the performance of services.

# Fellowship Grants Not “Modeled” on the NRSA Program

- 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.

# Example

- Fellowship vs. Compensation Determination  
(see checklist)

<b>**EXHIBIT G</b> <u>Fellowship vs. Compensation Determination</u>			
Campus:		Date:	
Program or Type of Award:			
PI:		Dept	
		Fellowship	Compensation
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?	_____ (b)	_____ (a)
2.	Does the research fellow serve as a replacement or substitute for an employee, such as a medical resident or laboratory technician?	_____ No	_____ Yes
3.	Do the activities of the research fellow during his/her training program materially benefit the University?	_____ No	_____ Yes
4.	Are the research fellow's projects determined by the research fellow in conjunction with his/her training supervisor and/or faculty mentor?	_____ Yes	_____ No
5.	Is the research fellow required to perform past or future services for the University as a condition to receiving the research fellowship grant?	_____ No	_____ Yes
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?	_____ Yes	_____ No
7.	Does the research fellow receive substantially the same training and mentoring as a NIH National Research Service Award grantee?	_____ Yes	_____ No
If <u>all</u> of the Fellowship boxes are marked, the individual will be treated as a fellowship recipient for federal tax purposes.			

**If all Fellowship boxes are marked, then treated as a Fellowship**



EXHIBIT G (Cont.)

Fellowship vs. Compensation Determination



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

1.	Are the research fellow's projects directly related to the fulfillment of a sponsored research agreement or other University contractual obligation?	<u>        </u> No	<u>        </u> Yes
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?	<u>        </u> No	<u>        </u> Yes

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?	<u>        </u> No	<u>        </u> Yes
4.	Is the research fellow classified as an employee for University payroll tax purposes?	<u>        </u> No	<u>        </u> Yes
5.	Does the research fellow receive health and other employee benefits that would be provided to career faculty and staff employees?	<u>        </u> No	<u>        </u> Yes
6.	Does the research fellow receive any faculty privileges?	<u>        </u> No	<u>        </u> Yes

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**

# Examples of Fellowships

- Fellowship funds paid directly by the University to the Postdoc Fellow
- Fellowship funds provided by a third party on behalf of the Postdoc Fellow (Paid Directs)
  - 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 *required*:
  - 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

VOID     CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574  <div style="font-size: 2em; font-weight: bold; text-align: center;">2015</div>  Form 1098-T
FILER'S federal identification no.      STUDENT'S social security number		2 Amounts billed for qualified tuition and related expenses \$ <span style="border: 1px solid red; border-radius: 50%; padding: 2px;">\$25,000</span>	<div style="font-weight: bold; font-size: 1.5em;">Tuition Statement</div>  <div style="font-weight: bold;">Copy C For Filer</div>  For Privacy Act and Paperwork Reduction Act Notice, see the <b>2015 General Instructions for Certain Information Returns.</b>
STUDENT'S name		3 Check if you have changed your reporting method for 2015 <input type="checkbox"/>	
Street address (including apt. no.)		4 Adjustments made for a prior year \$	5 Scholarships or grants \$ <span style="border: 1px solid red; border-radius: 50%; padding: 2px;">\$10,000</span>
City or town, state or province, country, and ZIP or foreign postal code		6 Adjustments to scholarships or grants for a prior year \$	7 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2016 <input type="checkbox"/>
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input checked="" type="checkbox"/>	9 Check if a graduate student <input checked="" type="checkbox"/>	10 Ins. contract reimb./refund \$

Form **1098-T**      www.irs.gov/form1098t      Department of the Treasury - Internal Revenue Service

Adjusted qualified education expenses = \$25,000 - \$10,000

Adjusted qualified education expenses = \$15,000

Report the "Adjusted qualified education expenses" to reduce your income taxes

# 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.
- When reporting on tax return, the student or fellow may claim appropriate marital status and exemptions.

\* Every non-U.S. citizen who will be receiving a fellowship grant or other type of payment must complete the UC W-8BEN, Certificate of Foreign Status for Federal Tax Withholding form. In most cases, residency status will be determined based on the information provided on this form. The UC W-8BEN is available on the UCOP Financial Accounting web site, located at <http://www.ucop.edu/financial-accounting/policies-and-guidance/tax-forms-information/taxation-non-resident-aliens/index.html>.

# 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](http://www.irs.gov)) and type in "[United States Income Tax Treaties - A to Z](#)"

# Example of Form 1042-S

Form <b>1042-S</b>		<b>Foreign Person's U.S. Source Income Subject to Withholding</b>			<b>2015</b>		OMB No. 1545-0096		
Department of the Treasury Internal Revenue Service		▶ Information about Form 1042-S and its separate instructions is at <a href="http://www.irs.gov/form1042s">www.irs.gov/form1042s</a> .					<b>Copy B</b> for Recipient		
		<input type="checkbox"/> <b>AMENDED</b>		<input type="checkbox"/> <b>PRO-RATA BASIS REPORTING</b>					
<b>1</b> Income code	<b>2</b> Gross income	<b>3</b> Chap. 3: <input checked="" type="checkbox"/>	<b>4</b> Chap. 4: <input type="checkbox"/>	<b>5</b> Withholding allowance					
		<b>3a</b> Exemption code	<b>4a</b> Exemption code	<b>6</b> Net income				Check if tax not deposited with IRS pursuant to escrow procedure <input type="checkbox"/>	
		<b>3b</b> Tax rate	<b>4b</b> Tax rate	<b>7</b> Federal tax withheld					
<b>8</b> Tax withheld by other agents				<b>9</b> Tax paid by withholding agent					
<b>10</b> Total withholding credit				<b>11</b> Amount repaid to recipient					
<b>12a</b> Withholding agent's EIN		<b>12b</b> Ch. 3 status code	<b>12c</b> Ch. 4 status code	<b>14a</b> Primary Withholding Agent's Name (if applicable)					
				<b>14b</b> Primary Withholding Agent's EIN					
<b>12d</b> Withholding agent's name				<b>15a</b> Intermediary or flow-through entity's EIN, if any	<b>15b</b> Ch. 3 status code	<b>15c</b> Ch. 4 status code			
<b>12e</b> Withholding agent's Global Intermediary Identification Number (GIIN)				<b>15d</b> Intermediary or flow-through entity's name					
<b>12f</b> Country code	<b>12g</b> Foreign taxpayer identification number, if any			<b>15e</b> Intermediary or flow-through entity's GIIN					
				<b>15f</b> Country code	<b>15g</b> Foreign tax identification number, if any				
<b>12h</b> Address (number and street)				<b>15h</b> Address (number and street)					
<b>12i</b> City or town, state or province, country, ZIP or foreign postal code				<b>15i</b> City or town, state or province, country, ZIP or foreign postal code					
<b>13a</b> Recipient's U.S. TIN, if any				<b>13h</b> Recipient's GIIN					<b>13i</b> Recipient's foreign tax identification number, if any
<b>13b</b> Ch. 3 status code		<b>13c</b> Ch. 4 status code							
<b>13d</b> Recipient's name		<b>13e</b> Recipient's country code			<b>16</b> Recipient's account number			<b>17</b> Recipient's date of birth	
<b>13f</b> Address (number and street)				<b>18</b> Payer's name		<b>19</b> Payer's TIN		<b>20</b> Payer's GIIN	
<b>13g</b> City or town, state or province, country, ZIP or foreign postal code				<b>21</b> State income tax withheld		<b>22</b> Payer's state tax no.		<b>23</b> Name of state	

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cat. No. 11386R

Form **1042-S** (2015)

# 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 7), [Form 1040A](#) (Line 7), or [Form 1040EZ](#) (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 7 of IRS Form 1040
    - ✓ In the space to the left of Line 7 of IRS Form 1040A
    - ✓ In the space to the left of Line 1 of IRS Form 1040EZ
  - Nonresident Aliens report their Fellowship Grants on IRS [Form 1040NR](#) (Line 12) or Form [1040NR-EZ](#) (Line 5)

# U.S. Citizens and Resident Aliens

**Form 1040** Department of the Treasury—Internal Revenue Service (99) **2015** OMB No. 1545-0074 (IRS Use Only—Do not write or staple in this space.)

U.S. Individual Income Tax Return

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning \_\_\_\_\_, 2015, ending \_\_\_\_\_, 20

Your first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ See separate instructions.

If a joint return, spouse's first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Your social security number \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. \_\_\_\_\_ Apt. no. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name \_\_\_\_\_ Foreign province/state/country \_\_\_\_\_ Foreign postal code \_\_\_\_\_

**Filing Status**

1  Single  
 2  Married filing jointly (even if only one had income)  
 3  Married filing separately. Enter spouse's SSN above and full name here. ▶  
 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶  
 5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a.  
 b  Spouse  
 c Dependents:  
 (1) First name \_\_\_\_\_ Last name \_\_\_\_\_ (2) Dependent's social security number \_\_\_\_\_ (3) Dependent's relationship to you \_\_\_\_\_ (4)  if child under age 17 qualifying for child tax credit (see instructions)  
 If more than four dependents, see instructions and check here  **SCH**

**Income**

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **7 10,000**  
 8a Taxable interest. Attach Schedule B if required **8a**  
 9a Ordinary dividends. Attach Schedule B if required **9a**  
 9b Qualified dividends **9b**  
 10 Taxable refunds, credits, or offsets of state and local income taxes **10**  
 11 Alimony received **11**  
 12 Business income or (loss). Attach Schedule C or C-EZ **12**  
 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here  **13**  
 14 Other gains or (losses). Attach Form 4797 **14**  
 15a IRA distributions **15a** b Taxable amount **15b**  
 16a Pensions and annuities **16a** b Taxable amount **16b**  
 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **17**  
 18 Farm income or (loss). Attach Schedule F **18**  
 19 Unemployment compensation **19**  
 20a Social security benefits **20a** b Taxable amount **20b**  
 21 Other income. List type and amount **21**  
 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ **22**

**Adjusted Gross Income**

23 Educator expenses **23**  
 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ **24**  
 25 Health savings account deduction. Attach Form 8889 **25**  
 26 Moving expenses. Attach Form 3903 **26**  
 27 Deductible part of self-employment tax. Attach Schedule SE **27**  
 28 Self-employed SEP, SIMPLE, and qualified plans **28**  
 29 Self-employed health insurance deduction **29**  
 30 Penalty on early withdrawal of savings **30**  
 31a Alimony paid b Recipient's SSN ▶ **31a**  
 32 IRA deduction **32**  
 33 Student loan interest deduction **33**  
 34 Tuition and fees. Attach Form 8917 **34**  
 35 Domestic production activities deduction. Attach Form 8903 **35**  
 36 Add lines 23 through 35 **36**  
 37 Subtract line 36 from line 22. This is your adjusted gross income ▶ **37 10,000**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2015)

# Nonresident Aliens

**Form 1040NR** U.S. Nonresident Alien Income Tax Return OMB No. 1545-0074

Department of the Treasury Internal Revenue Service beginning \_\_\_\_\_, 2015, and ending \_\_\_\_\_, 20 **2015**

Information about Form 1040NR and its separate instructions is at [www.irs.gov/form1040nr](http://www.irs.gov/form1040nr). For the year January 1–December 31, 2015, or other tax year

Your first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Identifying number (see instructions) \_\_\_\_\_

Present home address (number, street, and apt. no., or rural route). If you have a P.O. box, see instructions. Check if:  Individual  Estate or Trust

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name \_\_\_\_\_ Foreign province/state/country \_\_\_\_\_ Foreign postal code \_\_\_\_\_

**Filing Status**

1  Single resident of Canada or Mexico or single U.S. national  
 2  Other single nonresident alien  
 3  Married resident of Canada or Mexico or married U.S. national  
 4  Married resident of South Korea  
 5  Other married nonresident alien  
 6  Qualifying widow(er) with dependent child (see instructions)

Check only one box.

(i) Spouse's first name and initial \_\_\_\_\_ (ii) Spouse's last name \_\_\_\_\_ (iii) Spouse's identifying number \_\_\_\_\_

**Exemptions**

7a  Yourself. If someone can claim you as a dependent, do not check box 7a.  
 b  Spouse. Check box 7b only if you checked box 3 or 4 above and your spouse did not have any U.S. gross income.  
 c Dependents: (see instructions)  
 (1) First name \_\_\_\_\_ Last name \_\_\_\_\_ (2) Dependent's identifying number \_\_\_\_\_ (3) Dependent's relationship to you \_\_\_\_\_ (4)  if qualifying child for child tax credit (see instructions)  
 If more than four dependents, see instructions

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

8 Wages, salaries, tips, etc. Attach Form(s) W-2 **8**  
 9a Taxable interest **9a**  
 9b Tax-exempt interest. Do not include on line 9a **9b**  
 10a Ordinary dividends **10a**  
 10b Qualified dividends (see instructions) **10b**  
 11 Taxable refunds, credits, or offsets of state and local income taxes (see instructions) **11**  
 12 Scholarship and fellowship grants. Attach Form(s) 1042-S or required statement (see instructions) **12**  
 13 Business income or (loss). Attach Schedule C or C-EZ (Form 1040) **13 10,000**  
 14 Capital gain or (loss). Attach Schedule D (Form 1040) if required. If not required, check here  **14**  
 15 Other gains or (losses). Attach Form 4797 **15**  
 16a IRA distributions **16a** 16b Taxable amount (see instructions) **16b**  
 17a Pensions and annuities **17a** 17b Taxable amount (see instructions) **17b**  
 18 Rental real estate, royalties, partnerships, trusts, etc. Attach Schedule E (Form 1040) **18**  
 19 Farm income or (loss). Attach Schedule F (Form 1040) **19**  
 20 Unemployment compensation **20**  
 21 Other income. List type and amount (see instructions) **21**  
 22 Total income exempt by a treaty from page 5, Schedule OI, item L (1)(e) **22**  
 23 Combine the amounts in the far right column for lines 8 through 21. This is your total effectively connected income ▶ **23**

**Adjusted Gross Income**

24 Educator expenses (see instructions) **24**  
 25 Health savings account deduction. Attach Form 8889 **25**  
 26 Moving expenses. Attach Form 3903 **26**  
 27 Deductible part of self-employment tax. Attach Schedule SE (Form 1040) **27**  
 28 Self-employed SEP, SIMPLE, and qualified plans **28**  
 29 Self-employed health insurance deduction (see instructions) **29**  
 30 Penalty on early withdrawal of savings **30**  
 31 Scholarship and fellowship grants excluded **31**  
 32 IRA deduction (see instructions) **32**  
 33 Student loan interest deduction (see instructions) **33**  
 34 Domestic production activities deduction. Attach Form 8903 **34**  
 35 Add lines 24 through 34 **35**  
 36 Subtract line 35 from line 23. This is your adjusted gross income ▶ **36 10,000**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Cat. No. 11364D Form 1040NR (2015)

# Federal Tax Resources

- [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 Notice 96-68: Educational Assistance Programs
- IRS Website: [United States Income Tax Treaties - A to Z](#)
- National Taxpayer Advocate Service:  
<http://www.irs.gov/uac/Taxpayer-Advocate-Service-6>
- Internal Revenue Service (IRS) Website: “Individuals”:  
<http://www.irs.gov/individuals/index.html?navmenu=menu1>
- [www.irs.gov](http://www.irs.gov)



# Federal Tax Resources

- Federal E-Filing Information:  
<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\\_Online\\_AllFilingOptions&WT.svl=HEf2](https://www.ftb.ca.gov/individuals/efile/allsoftware.shtml?WT.mc_id=HP_Online_AllFilingOptions&WT.svl=HEf2)
- IRS Form Instructions:
  - [1040](#)
  - [1040A](#)
  - [1040EZ](#)
  - [1040NR](#)
  - [1040NR-EZ](#)

# 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 (Long) or FTB Form 540NR (Short)
    - **Caution:** If Federal Adjusted Gross Income is **more than \$100,000**, use Form 540NR (Long)

# California Residents

Get instructions for 540 Form

What's New for 540 Form

TAXABLE YEAR: **2015** California Resident Income Tax Return FORM **540**

Fiscal year filers only: Enter month of year end: month \_\_\_\_\_ year 2016.

Your first name: \_\_\_\_\_ Initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Suffix: \_\_\_\_\_ Your SSN or ITIN: \_\_\_\_\_

If joint tax return, spouse's/RDP's first name: \_\_\_\_\_ Initial: \_\_\_\_\_ Last name: \_\_\_\_\_ Suffix: \_\_\_\_\_ Spouse's/RDP's SSN or ITIN: \_\_\_\_\_

Additional information (see instructions): \_\_\_\_\_ PBA code: \_\_\_\_\_

Street address (number and street) or PO box: \_\_\_\_\_ Apt. no./sle. no.: \_\_\_\_\_ PMB/private mailbox: \_\_\_\_\_

City (if you have a foreign address, see instructions): \_\_\_\_\_ State: \_\_\_\_\_ ZIP code: \_\_\_\_\_

Foreign country name: \_\_\_\_\_ Foreign province/state/country: \_\_\_\_\_ Foreign postal code: \_\_\_\_\_

Date of Birth: Your DOB (mm/dd/yyyy) \_\_\_\_\_ Spouse's/RDP's DOB (mm/dd/yyyy) \_\_\_\_\_

Prior Name: If you filed your 2014 tax return under a different last name, write the last name only from the 2014 tax return. Taxpayer: \_\_\_\_\_ Spouse/RDP: \_\_\_\_\_

Filing Status: 1  Single 4  Head of household (with qualifying person). See instructions. 2  Married/RDP filing jointly. See inst. 5  Qualifying widow(er) with dependent child. Enter year spouse/RDP died \_\_\_\_\_ 3  Married/RDP filing separately. Enter spouse's/RDP's SSN or ITIN above and full name here: \_\_\_\_\_

If your California filing status is different from your federal filing status, check the box here:

6 If someone can claim you (or your spouse/RDP) as a dependent, check the box here. See inst.  6

For line 7, line 8, line 9, and line 10: Multiply the amount you enter in the box by the pre-printed dollar amount for that line. **Whole dollars only**

7 **Personal:** If you checked box 1, 3, or 4 above, enter 1 in the box. If you checked box 2 or 5, enter 2, in the box. If you checked the box on line 6, see instructions.  7 X \$109 = \$ \_\_\_\_\_

8 **Blind:** If you (or your spouse/RDP) are visually impaired, enter 1: if both are visually impaired, enter 2  8 X \$109 = \$ \_\_\_\_\_

9 **Senior:** If you (or your spouse/RDP) are 65 or older, enter 1: if both are 65 or older, enter 2  9 X \$109 = \$ \_\_\_\_\_

10 **Dependents: Do not include yourself or your spouse/RDP.**

	Dependent 1	Dependent 2	Dependent 3
First Name	_____	_____	_____
Last Name	_____	_____	_____
SSN	_____	_____	_____
Dependent's relationship to you	_____	_____	_____

Total dependent exemptions:  10 X \$337 = \$ \_\_\_\_\_

11 **Exemption amount:** Add line 7 through line 10. Transfer this amount to line 32  11 \$ \_\_\_\_\_

Your name: \_\_\_\_\_ Your SSN or ITIN: \_\_\_\_\_

12 State wages from your Form(s) W-2, box 16  12 \_\_\_\_\_

13 Enter federal adjusted gross income from Form 1040, line 37; 1040A, line 21; or 1040EZ, line 4  13 **10,000** \_\_\_\_\_

14 California adjustments – subtractions. Enter the amount from Schedule CA (540), line 37, column B  14 \_\_\_\_\_

15 Subtract line 14 from line 13. If less than zero, enter the result in parentheses. See instructions  15 \_\_\_\_\_

16 California adjustments – additions. Enter the amount from Schedule CA (540), line 37, column C  16 \_\_\_\_\_

17 California adjusted gross income. Combine line 15 and line 16  17 \_\_\_\_\_

18 Enter the **larger of:**

- Your California **itemized deductions** from Schedule CA (540), line 44; **OR**
- Your California **standard deduction** shown below for your filing status:
  - Single or Married/RDP filing separately ..... \$4,044
  - Married/RDP filing jointly, Head of household, or Qualifying widow(er) ..... \$8,088
  - If Married/RDP filing separately or the box on line 6 is checked, STOP. See instructions .....

18 \_\_\_\_\_

19 Subtract line 18 from line 17. This is your **taxable income**. If less than zero, enter -0-  19 \_\_\_\_\_

31 Tax. Check the box if from:  Tax Table  Tax Rate Schedule  FTB 3800  FTB 3803  31 \_\_\_\_\_

32 Exemption credits. Enter the amount from line 11. If your federal AGI is more than \$178,706, see instructions  32 \_\_\_\_\_

33 Subtract line 32 from line 31. If less than zero, enter -0-  33 \_\_\_\_\_

34 Tax. See instructions. Check the box if from:  Schedule G-1  FTB 5870A  34 \_\_\_\_\_

35 Add line 33 and line 34  35 \_\_\_\_\_

40 Nonrefundable Child and Dependent Care Expenses Credit. See instructions  40 \_\_\_\_\_

43 Enter credit name \_\_\_\_\_ code \_\_\_\_\_ and amount \_\_\_\_\_  43 \_\_\_\_\_

44 Enter credit name \_\_\_\_\_ code \_\_\_\_\_ and amount \_\_\_\_\_  44 \_\_\_\_\_

45 To claim more than two credits, see instructions. Attach Schedule P (540)  45 \_\_\_\_\_

46 Nonrefundable renter's credit. See instructions  46 \_\_\_\_\_

47 Add line 40 through line 46. These are your total credits  47 \_\_\_\_\_

48 Subtract line 47 from line 35. If less than zero, enter -0-  48 \_\_\_\_\_

61 Alternative minimum tax. Attach Schedule P (540)  61 \_\_\_\_\_

62 Mental Health Services Tax. See instructions  62 \_\_\_\_\_

63 Other taxes and credit recapture. See instructions  63 \_\_\_\_\_

64 Add line 48, line 61, line 62, and line 63. This is your total tax  64 \_\_\_\_\_

# California Nonresident

Get instructions for 540NR Long Form

TAXABLE YEAR **2015** California Nonresident or Part-Year Resident Income Tax Return Long Form FORM **540NR**

Fiscal year filers only: Enter month of year end: month year 2016.

Your first name: \_\_\_\_\_ Suffix: \_\_\_\_\_ Your SSN or ITIN: \_\_\_\_\_  
 If joint tax return, spouse's/RDP's first name: \_\_\_\_\_ Suffix: \_\_\_\_\_ Spouse's/RDP's SSN or ITIN: \_\_\_\_\_  
 Additional information (See instructions) PBA code: \_\_\_\_\_  
 Street address (number and street) or PO box: \_\_\_\_\_ Apt. no./ste. no.: \_\_\_\_\_ PMB/private mailbox: \_\_\_\_\_  
 City (If you have a foreign address, see instructions): \_\_\_\_\_ State: \_\_\_\_\_ ZIP code: \_\_\_\_\_  
 Foreign country name: \_\_\_\_\_ Foreign province/state/county: \_\_\_\_\_ Foreign postal code: \_\_\_\_\_  
 Date of Birth: ● Your DOB (mm/dd/yyyy) \_\_\_\_\_ ● Spouse's/RDP's DOB (mm/dd/yyyy) \_\_\_\_\_  
 Prior Name: If you filed your 2014 tax return under a different last name, write the last name only from the 2014 tax return.  
 ● Taxpayer \_\_\_\_\_ ● Spouse/RDP \_\_\_\_\_

Filing Status: 1  Single 4  Head of household (with qualifying person). See instructions.  
 2  Married/RDP filing jointly. See inst. 5  Qualifying widow(er) with dependent child. Enter year spouse/RDP died \_\_\_\_\_  
 3  Married/RDP filing separately. Enter spouse's/RDP's SSN or ITIN above and full name here \_\_\_\_\_  
 If your California filing status is different from your federal filing status, check the box here   
 6 If someone can claim you (or your spouse/RDP) as a dependent, check the box here. See inst. \_\_\_\_\_ ● 6

► For line 7, line 8, line 9, and line 10: Multiply the amount you enter in the box by the pre-printed dollar amount for that line. **Whole dollars only**

7 **Personal:** If you checked box 1, 3, or 4 above, enter 1 in the box. If you checked box 2 or 5, enter 2. If you checked the box on line 6, see instructions. ● 7  X \$109 = ● \$ \_\_\_\_\_  
 8 **Blind:** If you (or your spouse/RDP) are visually impaired, enter 1; if both are visually impaired, enter 2. ● 8  X \$109 = ● \$ \_\_\_\_\_  
 9 **Senior:** If you (or your spouse/RDP) are 65 or older, enter 1; if both are 65 or older, enter 2. ● 9  X \$109 = ● \$ \_\_\_\_\_

10 **Dependents: Do not include yourself or your spouse/RDP.**

	Dependent 1	Dependent 2	Dependent 3
First Name	● _____	● _____	● _____
Last Name	● _____	● _____	● _____
SSN	● _____	● _____	● _____
Dependent's relationship to you	● _____	● _____	● _____

Total dependent exemptions ..... ● 10  X \$337 = ● \$ \_\_\_\_\_  
 11 **Exemption amount:** Add line 7 through line 10 ..... 11 ● \$ \_\_\_\_\_

12 Total California wages from your Form(s) W-2, box 16 ..... ● 12 \_\_\_\_\_ 00  
 13 Enter federal AGI from Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 36; or 1040NR-EZ, line 10 ..... ● 13 **10,000** 00  
 14 California adjustments – subtractions. Enter the amount from Schedule CA (540NR), line 37, column B ..... ● 14 \_\_\_\_\_ 00  
 15 Subtract line 14 from line 13. If less than zero, enter the result in parentheses. See instructions ..... 15 \_\_\_\_\_ 00  
 16 California adjustments – additions. Enter the amount from Schedule CA (540NR), line 37, column C ..... ● 16 \_\_\_\_\_ 00  
 17 Adjusted gross income from all sources. Combine line 15 and line 16 ..... ● 17 \_\_\_\_\_ 00  
 18 Enter the **larger of:** Your California **itemized deductions** from Schedule CA (540NR), line 44; **OR** Your California **standard deduction**. See instructions ..... ● 18 \_\_\_\_\_ 00  
 19 Subtract line 18 from line 17. This is your **total taxable income**. If less than zero, enter -0- ..... ● 19 \_\_\_\_\_ 00

# 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”:  
[https://www.ftb.ca.gov/individuals/index.shtml?WT.mc\\_id=Global\\_Individuals\\_Tab](https://www.ftb.ca.gov/individuals/index.shtml?WT.mc_id=Global_Individuals_Tab)

# California Tax Resources

- FTB's Online Filing Options:  
[https://www.ftb.ca.gov/individuals/efile/allsoftware.shtml?WT.mc\\_id=HP\\_Banner\\_AllSoftware&WT.svl=HEf1](https://www.ftb.ca.gov/individuals/efile/allsoftware.shtml?WT.mc_id=HP_Banner_AllSoftware&WT.svl=HEf1)
- FTB Form Instructions:
  - [540](#)
  - [540NR](#) (Long)
  - [540NR](#) (Short)

# University Resources

- UC Website:  
<http://www.ucop.edu/financial-accounting/units/payroll-coordination-and-tax-services/>
- See [Tax forms and information](#) for
  - [Employee's Federal-State Withholding Allowance Certificate \(UC W-4/DE 4\)](#)
  - [Taxation of nonresident aliens](#)
- Glacier Nonresident Alien Tax Preparation Software