

Princeton University

The Graduate School
103 Clio Hall
609.258.3037

To: Graduate Students
From: Sandra L. Mawhinney, Associate Dean
Date: September 24, 2009
Re: Quarterly Estimated Income Taxes

I write to provide you with information regarding the filing of quarterly estimated federal taxes.

THIS MEMO APPLIES TO U.S. CITIZENS AND PERMANENT RESIDENTS WHO ARE RECEIVING FELLOWSHIP INCOME, TRAVEL FUNDS, HANNA GRANTS, PRIZES, OR OTHER TYPES OF NON-LOAN, NON PAY-FOR-WORK GRANT FUNDS. IF YOU FALL INTO THIS CATEGORY, YOU MUST FILE QUARTERLY ESTIMATED TAX STATEMENTS FOR THIS TYPE OF INCOME BECAUSE FEDERAL TAXES ARE NOT WITHHELD BY THE UNIVERSITY NOR REPORTED TO THE FEDERAL GOVERNMENT.

IF YOU ARE A NON-RESIDENT INTERNATIONAL STUDENT, OR YOU ARE RECEIVING A SALARY FOR BEING AN ASSISTANTSHIP IN RESEARCH OR INSTRUCTION, OR YOU ARE BEING PAID AS A CASUAL HOURLY EMPLOYEE, THEN FEDERAL INCOME TAX IS ALREADY BEING WITHHELD AND REPORTED TO THE IRS. THEREFORE, YOU DO NOT HAVE TO FILE QUARTERLY ESTIMATED TAX STATEMENTS FOR THIS TYPE OF INCOME.

Instructions for downloading [Tax Form 1040ES](#), including Payment Voucher 4 (which applies to the fourth quarter of the calendar year) are available through the [IRS website](#). You may either download and print form 1040ES or you may complete it online and then print it for mailing. The form includes detailed instructions as well as an estimated tax worksheet, along with the payment voucher. As an alternative, you may find the attached Estimated Tax Worksheet helpful. It is also on the Graduate School's website. After completing either tax worksheet, you should then complete the payment voucher and submit it with your check or money order to

Internal Revenue Service
P.O. Box 37007
Hartford, CT 06176-0007

Alternatively, you may make payments electronically through EFTPS, a service offered free by the U.S. Department of the Treasury. To review this option, please go to the website <https://www.eftps.gov/eftps/> for more information, including enrollment instructions. You may also pay by credit card or by electronic funds withdrawal (see p. 3 of Form 1040ES for more information about these options.)

The fourth quarter 2009 filing deadline is January 15, 2010.

Questions about filing taxes should be directed to the IRS. Their website is rich with information and answers to frequently asked questions. Also, please remember that the Office of General Counsel holds tax information sessions prior to April 15 every year during which time more specific information is provided as well as answers to individual questions.

Quarterly Estimated Income Taxes

Line by line explanation of the estimated tax worksheet:

1. a) Enter the amount of your monthly fellowship stipend (it is coded as “FL” on your pay stub). Be sure to include all three months (or four, if you are including September).

b.) Enter additional support, if any, you received from the university for travel and incidental academic expenses such as a prize, a departmental supplement, a Hanna grant, or other non-work grant that is not listed on your pay stub. Some of these payments may have been made through another mechanism – e.g. direct deposit to your bank or separate check produced by the Accounts Payable office.
2. You are permitted to reduce your taxable income by your standard deduction when you file your U.S. tax return. Therefore, you may also subtract this amount when you complete the estimated tax worksheet. The annual standard deduction varies depending on your tax filing status. You may take one-fourth of the annual standard deduction each quarter. If you will itemize deductions on your annual tax return, then you may instead take one-fourth of your estimated annual itemized deductions each quarter.
3. Most students are also permitted to reduce their taxable income by the number of personal exemptions they claim. In 2009, each exemption is “worth” \$3,650. You may reduce your taxable income each quarter by $\frac{1}{4}$ of this amount, or \$912.50, for each exemption you will be permitted to claim on your 2009 U.S. tax return. NOTE: there are two situations where students cannot claim a personal exemption:
 - a. If you are claimed as a dependent on your parents’ 2009 tax return; or
 - b. If you are receiving “split support” from the university (that is, a combination of fellowship combined with pay-for-work, generally defined as AI or AR). In this case, federal taxes are withheld from the AI/AR portion of your compensation and you will not want to double count these deductions.
4. You may also reduce your taxable income by subtracting expenses you incurred for books, fees, supplies, and equipment required for your course of instruction. The amount subtracted may not exceed the amount of your fellowship payments, and you must be able to substantiate all amounts with receipts. NOTE: please refer to the instructions on 1040ES regarding a deduction for interest paid on student loans.
5. This line represents your taxable fellowship and other income for the quarter and is the amount on which your estimated tax liability for the quarter is based.
6. For most students, your estimated tax liability for each quarter will be equal to 15% of your taxable income on line five. However, if your income reported on line five exceeds \$33,950, then the 15% rule will not result in an accurate calculation of your estimated tax liability for that quarter. In most cases, you should use 25% as the rule; however, it is wisest to consult the IRS tax rate schedules in the Form 1040ES booklet that can be found online.
7. You must remit your quarterly tax payments by the due dates listed in the 1040ES booklet or the payment vouchers. Failure to do so may result in penalties being assessed by the IRS.