

## Basic Tax Guidelines

In very general terms, the following U. S. tax rules apply:

### Tuition and Stipends

- Tuition is always considered fellowship, even when it is part of a teaching or research appointment. It is therefore not taxable in the United States. The Payroll Office notes the tuition fellowship on pay stubs as "imputed income", but they do not deduct taxes nor report the amount of the tuition benefit to the IRS.
- Fellowship stipends are considered taxable income to the federal government, but not to the State of New Jersey. The Payroll Office does not deduct federal tax, nor does it report the amount of the stipend to the IRS for U.S. citizens or permanent residents. For international students, 14% of the stipend amount is withheld and reported to the IRS, but New Jersey state tax is not withheld or reported. It is up to all students to file income tax forms with the federal government and to pay any taxes due at year-end (by the April 15 filing deadline). U.S. students and permanent residents are required to file quarterly income tax statements and to make quarterly tax payments to the IRS.

Note that the United States honors tax treaties with many foreign countries, which allow students to receive fellowship income that is not taxable. In addition, there are some rare exceptions where international agencies pay a portion of the stipend for their international students to study in the U.S. (most notably, the World Bank). In these cases, the exempted amount is not taxed, but amounts above the exemption are taxed at 14%.

- Stipends paid for research (AR) and/or instruction (AI) are considered pay-for-work and the amounts are taxable. The Payroll Office withholds taxes based on the W-4 form that is filed by the student at registration, and these amounts are paid to and reported to the federal government. The same rules apply to U.S. and international students. The State of New Jersey also withholds taxes on pay-for-work.
- Hourly employment is also considered pay-for-work. Federal and state taxes are withheld and reported.
- Social Security taxes are not withheld for any work performed while the student is considered a full-time student. For students who are assigned as assistants in research during the summer, Social Security tax is withheld because the summer session is not considered an enrollment period and the student cannot be considered a full-time student during these months.

Social Security tax is not withheld from fellowship stipends, even in the summer months.

### Travel

- Funds paid to students who travel are taxable unless the student is traveling on University business associated with research.

- Students who travel on University business that is associated with research may receive travel funds that are not taxed. In this event, one of two paper processes must be followed:
  - The Student Voucher must be checked where it says “*Non-Educational Payments: Business Related Expenses, for Assistants in Research*”. Either the department manager or the faculty member whose research is affected must sign the voucher attesting to the fact that the student is traveling for purposes of business.
  - An Employee Travel Voucher must be submitted. As with the Student Voucher, either the department manager or the faculty member whose research is affected must sign the voucher attesting to the fact that the student is traveling for purposes of business.

The graph below shows the taxability of different forms of payments.

<b>U.S. Citizens and Permanent Residents</b>						
Payment Type	Student Must Pay	Federal Taxes		Student Must Pay	State Taxes	
		Princeton Payroll Office			Princeton Payroll Office	
		Withholds	Reports		Withholds	Reports
FELLOWSHIP TUITION	No	No	No	No	No	No
<u>STIPENDS</u>						
Fellowship	Yes	No	No	No	No	No
Assistantship in Instruction	Yes	Yes	Yes	Yes	Yes	Yes
Assistantship in Research	Yes	Yes	Yes	Yes	Yes	Yes
Assistant Master	Yes	Yes	Yes	Yes	Yes	Yes
HOURLY WORK	Yes	Yes	Yes	Yes	Yes	Yes
TRAVEL:						
University business (ARs only)	No	No	No	No	No	No
Non-University business	Yes	Yes	Yes	No	No	No
If "YES" is noted, withholding is at the graduated rates determined by your filing status on IRS form W-4.						

<b>Non-U.S. Citizen, Non-Resident International Students</b>						
Payment Type	Student Must Pay	Federal Taxes		Student Must Pay	State Taxes	
		Princeton Payroll Office			Princeton Payroll Office	
		Withholds	Reports		Withholds	Reports
FELLOWSHIP TUITION	No	No	No	No	No	No
<u>STIPENDS</u>						
Fellowship	Yes	14%	Yes	No	No	No

Assistantship in Instruction	Yes	Yes	Yes	Yes	Yes	Yes	Pay for work
Assistantship in Research	Yes	Yes	Yes	Yes	Yes	Yes	
Assistant Master	Yes	Yes	Yes	Yes	Yes	Yes	
HOURLY WORK	Yes	Yes	Yes	Yes	Yes	Yes	
TRAVEL:							
University business (ARs only)	No	No	No	No	No	No	
Non-University business	Yes	14%	Yes	No	No	No	
If "YES" is noted, withholding is at the graduated rates determined by your filing status on IRS form W-4. A tax treaty with the U.S. may override or supercede this withholding information.							