

Basic Tax Guidelines and Tax Charts

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 as salary for research (AR) and/or instruction (AI) 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 assistantship stipends.
- Federal and state taxes are withheld and reported on any hourly employment.
- Social Security tax is not withheld from fellowship stipends, even in the summer months.
- 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.

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.

Tax Charts

The tables below show the tax and reporting treatment of different forms of payments to U.S. citizens and permanent residents and non-U.S. citizens and non-resident international students.

U.S. Citizens and Permanent Residents

| Payment Type | FEDERAL TAXES | | | STATE TAXES | | |
|------------------------------|---------------------|-----------|---------|---------------------|-----------|---------|
| | Student Must Pay | Princeton | | Student Must Pay | Princeton | |
| | | Withholds | Reports | | Withholds | Reports |
| Tuition Support | No | No | No | No | No | No |
| Stipend Support: | | | | | | |
| Fellowship | Yes | No | No | No | No | No |
| Assistantship in Research | Yes | Yes | Yes | Yes | Yes | Yes |
| Assistantship in Instruction | Yes | Yes | Yes | Yes | Yes | Yes |

If "Yes" is noted, withholding is at the graduated rates determined by your filing status on IRS Form W-4.

Non-U.S. Citizens and Non-Resident International Students

| Payment Type | FEDERAL TAXES | | | STATE TAXES | | |
|------------------------------|---------------------|-----------|---------|---------------------|-----------|---------|
| | Student Must Pay | Princeton | | Student Must Pay | Princeton | |
| | | Withholds | Reports | | Withholds | Reports |
| Tuition Support | No | No | No | No | No | No |
| Stipend Support: | | | | | | |
| Fellowship | Yes | Yes | Yes | No | No | No |
| Assistantship in Research | Yes | Yes | Yes | Yes | Yes | Yes |
| Assistantship in Instruction | Yes | Yes | Yes | Yes | Yes | Yes |

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 supersede this withholding information.