

Income Taxes

Everyone in AgChem should receive W2 income statements as well as possibly a 1098-T statement if you received fellowship/scholarship money disbursed by the University or a 1042-S statement if you are a foreign student who received fellowship/scholarship money disbursed by the University. Generally, with limited exception, everyone who receives a W2 will need to file a federal income tax return.

It is a surprise to some that all or some amount of fellowship/scholarship money received from a US based source may be taxable. Those paying out fellowship money are not required to withhold income taxes even though all or some portion of the fellowship money may be taxable as personal income. For this reason, based on your personal fellowship circumstance, you may or may not receive a statement from the organization that is providing the fellowship. The Internal Revenue Service (IRS) largely places the responsibility of reporting fellowship/scholarship money on the recipient. (Note: if you do receive a 1098 or 1042 statement, you've received a copy of what has already been provided to the IRS)

IRS publication No. 970 details how fellowship and scholarship money is to be handled (<http://www.irs.gov/publications/p970/index.html>). In summary, that portion of a fellowship or scholarship used for non-educational purposes such as room, board, food, travel, fun and research is taxable as income, and that portion used for tuition, fees, books, and equipment necessary for school coursework (not school research) is exempt. Publication 970 details how you are to claim the taxable portion on your personal income tax form.

The same largely holds true for foreign students. Foreign students receiving GSR, TA, and taxable fellowships or scholarships are required to file an income tax form with the IRS (unless a specific tax treaty between the US and their resident country specifically exempts the student from taxes, students interested in knowing if there is an applicable tax treaty for their case must contact the IRS or their embassy/consulate for advice). For foreign students, how income taxes are to be filed largely is determined based on their residency status, either as a resident alien or nonresident alien. In most cases, a foreign student holding an F-1 Visa (student visa) will qualify as a nonresident alien, except in cases where the student is on their 5th year of study. Foreign students qualifying for nonresident alien status would use a 1040NR or 1040NR-EZ income tax form. Publication 970 can be used as a resource to foreign students regarding fellowships and scholarships (same conditions apply to US citizens) and Publication 519 can be used as a resource to foreign students regarding how to file income taxes (publication attached to this e-mail). The instructions to filing a 1040NR or 1040NR-EZ are also very informative and can be found at <http://www.irs.gov>.

None of this is of course a substitute for professional tax and financial consulting. In previous years the UC Davis Law School has offered free tax consultation to university students. I've contacted Graduate Studies to see if this service is available for this year and will report back if I hear anything affirmative. Otherwise, feel free to contact me and I'll try to assist where I can.

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