Federal Tax Guidelines
2016
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Agenda

> IRS Information and Your Responsibilities

> U.S. Resident Taxes
  > 1098T and other Tax Forms
  > Tax Credits and Taxable Income
Important Information

> Deadline for paying tax due is April 18, 2017
> Exemption is $4,050 per person
> Standard deduction is $6,300 for single and $12,600 for married couples
Internal Revenue Service (IRS)

> The tax collection agency of the United States
> Administers the Internal Revenue Code enacted by Congress
> Mission Statement:
  – Provide top quality service
  – Help taxpayers understand and meet tax responsibilities
  – Apply the tax law with integrity and fairness
Your Rights and Responsibilities

As a U.S. taxpayer you have the right to:

> Know that your rights are protected
> Privacy and confidentiality
> Professional and courteous service
> Representation
> Pay only the correct amount of tax
> Help with unresolved tax problems
> Appeals and judicial review
> Relief from certain penalties and interest
Your Rights and Responsibilities

As a U.S. taxpayer you are responsible for:

> Filing your federal income taxes every year
> Filing your taxes on time
> Complete the form accurately and sign it
> Attach required documents and mail by April 18th
> Paying the taxes due or making a payment plan arrangement with the IRS to pay over time
> Participate in an audit if necessary
> If you can’t pay, failure to file your return only makes the situation worse!
Your Rights and Responsibilities

You must file a federal tax return if you:

1. Worked in the United States or received United States source income, and

2. The amount of gross income meets a certain threshold amount

> If you have a Social Security Number (SSN), file using your SSN

> If you do not have a Social Security Number, get an Individual Taxpayer Identification Number (ITIN) from the IRS and file using your ITIN
Residents of the United States get taxed on ALL worldwide income regardless of its source.

Non-Residents get taxed ONLY on United States source income.

Source depends on type of income.

- Wages are sourced where they are earned.
- Scholarships and grants are sourced where the payor of the funds resides.
Gross Income

Scholarships, Fellowships, and Grants are not included in gross income if:

1. You are a degree candidate
2. Your money is for tuition, books, and supplies
3. The amounts you received were not payments to you for performance of services (for example, a wage for a part-time job)
Gross Income

Included:

> Amounts received for living expenses
> Amounts received as payment for services
> Most stipends for services performed as an ASE (Academic Student Employee), regardless of the purpose for which these stipends are awarded
> Other common forms of gross income
  – Interest and dividend income from savings and investments
  – Gambling winnings
  – Summer job abroad (if you are a U.S. resident)
  – Discharge of debt (there are exceptions)
  – Unemployment

Beware! Just because the payor does not withhold taxes does not mean the income is not taxable
Threshold Amount

You must file a federal tax return if:

> You are a dependent of someone else, and you earned:
  > $1,050 unearned income (e.g. interest, dividends)
  > $6,300 of earned income (e.g. wages, compensation)

> You are not a dependent, Single Filing Status, and you earned:
  > $10,350 any type of income ($20,700 if Married Filing Joint)
  > $400 of self-employed income

You are generally a dependent if you are:

> Under the age of 24

> A full-time student, and

> Receiving more than half support from a U.S. taxpayer
Tax Credit or Deduction

A tax credit reduces the amount of income tax you may have to pay.

A deduction reduces the amount of income subject to tax.
## Tax Credit or Deduction

<table>
<thead>
<tr>
<th>Example of a Deduction</th>
<th>Example of a Credit</th>
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<tbody>
<tr>
<td>Wages</td>
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<td>Gambling Winnings!</td>
<td>Gambling Winnings!</td>
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<td>Tax Owed</td>
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Revised April 4, 2017
Lifetime Learning Tax Credit

> For students enrolled in graduate or any fee based programs

> For any type of post-secondary education, including classes taken to improve or acquire job skills

> For an unlimited number of years

> Equal to 20% of the first $10,000 of qualified expenses (maximum $2,000) paid in 2016
When you CAN claim a Tax Credit

> If you pay qualified education expenses

> For American Opportunity: your MGI is under $80,000 for single or under $160,000 for married filing jointly

> For Lifetime Learning: your MGI is under $55,000 for single or under $110,000 for married filing jointly

> To claim a credit, use tax form 1040A or 1040

> To calculate the tax credit, use form 8863
When you CANNOT claim a Tax Credit

> If your filing status is married filing separately

> You are listed as a dependent in the exemptions section on another person’s tax return

> For the American Opportunity: your income is over $90,000 for single and over $180,000 for married filing jointly

> For the Lifetime Learning: your income is over $65,000 for single and over $130,000 for married filing jointly

> You or your spouse was a non-resident alien for any part of 2016 and the non-resident did not elect to be treated as a resident for tax purposes
Qualified Education Expenses

> Per IRS regulations, qualified education expenses are:

– Tuition and fees required for enrollment
– Course related books
– Supplies
– Equipment needed for a course of study

> **Only if paid for an eligible student that is required for enrollment or attendance at an eligible institution**
Qualified Education Expenses

Do NOT include:

> Insurance
> Medical Expenses (including student health fees)
> Transportation (Upass)
> Room & Board
> Athletic Fees
Departmental Scholarships, Fellowships and Grants

A scholarship or fellowship is tax free when:

> the money is paying for qualified education expenses

AND

> the student is working towards a degree
Prizes, Awards and Stipends to U.S. Citizens & Resident Students

1. The money will affect student’s financial aid status and can affect a student’s tax credit
   - When departments award money onto the student tuition account, the UW does not withhold tax

2. When departments award money in the student account system, the Financial Aid Office will receive all payment information to determine the needs of students when they apply for financial aid

3. Prizes, awards, and stipends are taxable income
1098T Form (prepared by UW)

For the American Opportunity & Lifetime Learning Credit:

> UW generates a 1098T form to all UW and PCE students. Online printing available from website:

    f2.washington.edu/fm/sfs/tax

> Summarizes all tuition and fee charges in Box 2

> Summarizes scholarship, fellowship and financial aid in Box 5

> Helps students determine if they qualify for tax credit or if the scholarship and grant aid money is taxable

> Non Resident Alien Students do not qualify and will not receive the 1098T form
1098T Form (prepared by UW)

UW reports tuition charges plus scholarships and financial aid grants but does not report payments from personal funds to the IRS

Information on the form:

> Box 2 – total of qualified tuition and fees expenses

> Box 5 – total of scholarship or financial aid grants

When comparing box 2 to box 5:

> If box 2 total is greater than box 5 total, student may qualify for a tax credit

> If box 5 total is greater than the box 2 total, student will have to report the difference in the amount as income
“Opt Out” of receiving the paper 1098T form:
> Go to: f2.washington.edu/fm/sfs/tax to sign up

Student Fiscal Services will send you an email as soon as the 1098T is on your MyUW page!
1098T Form (prepared by UW)

American Opportunity or Lifetime Learning Tax Credits

Box 2 $ 8,025
Box 5 - 0
Difference $ 8,025

Maximum credit for American Opportunity is $2,500
Maximum credit for Lifetime Learning is $2,000
1098T Form (prepared by UW)

Scholarship Income

Box 2 $15,329
Box 5 - 21,196
Difference - $5,867

Extra scholarship funds to report as income: $5,867
1098T Form (prepared by UW)

Stipend Paid via Payroll

No taxes withheld from the payroll office - may increases tax liability

Box 2: $30,739.00
Box 5: $46,854.60
Difference: -$16,115.60

Extra scholarship funds to report as income is $16,115.60
Tuition and Fees Deduction

- Taken as an adjustment to income
- Available if your income is too high to take either the American Opportunity or Lifetime tax credit
- Income limit is $65,000 for single and $130,000 for married filing jointly. You may get a reduce amount if your income is over this limit
- Maximum deduction amount is $4,000
- To claim the tuition fees deduction:
  - Use Form 8917 to calculate
  - Report on Line 34 on Form 1040
  - Report on Line 19 on Form 1040A
Deductible Student Loan Interest

> Your student loan interest may be deductible up to $2,500 per year

> Some restrictions apply:
  
  – You are not claimed as a dependent by someone else
  
  – Your AGI does not exceed $75,000 ($155,000 for married filing jointly)
  
  – Deduction is reduced when income exceeds $60,000 ($125,000 for married filing jointly)

> You are legally liable for the loan
Earned Income Credit

> “Refundable” Credit
  – You may receive a refund even if you did not pay taxes!

> How to qualify
  – Must have Earned Income
  – Must be a U.S. Resident
  – Must either have one or more qualifying children or be 25 years of age
  – Meet the income threshold. Cannot have investment income of more than $3,400
Earned Income Credit

> Earned income includes:
  
  – Wages from employment
  
  – Scholarship or fellowship reported on a W-2

> Amount of credit varies depending upon your filing status, income and number of kids

> Income ceilings for Married filing Jointly

  – More than Two Qualifying Children - $53,505
  
  – Two Qualifying Children - $50,198
  
  – Only One Qualifying Child - $44,846
  
  – No Qualifying Child & over age 25 $20,430
Additional Dependent Issues

> Issues can arise with divorced parents with dependent children

> Generally, the parent who has custody of the child can claim the Dependent Deduction

> “Custodial parent” may give up that right by signing a Form 8332
To report scholarship income:

Line 7 “sch”
IRS Form 1040

To report tax credits from Form 8863

Line 50
IRS Form 1040A

To report scholarship income:

Line 7 “sch”
**To report tax credits from Form 8863**

Line 33
To report scholarship income:

Line 1 “sch”
Use this form if

- Your filing status is single or married filing jointly. If you are not sure about your filing status, see instructions.
- You (and your spouse if married filing jointly) were under age 65 and not blind at the end of 2016. If you were born on January 1, 1952, you are considered to be age 65 at the end of 2016.
- You do not claim any dependents. For information on dependents, see Pub. 501.
- Your taxable income (line 6) is less than $100,000.
- You do not claim any adjustments to income. For information on adjustments to income, use the Tax Topics listed under Adjustments to Income at www.irs.gov/ataxtopics (see instructions).
- The only tax credit you can claim is the earned income credit (EIC). The credit may give you a refund even if you do not owe any tax. You do not need a qualifying child to claim the EIC. For information on credits, use the Tax Topics listed under Tax Credits at www.irs.gov/ataxtopics (see instructions). If you received a Form 1098-T or paid higher education expenses, you may be eligible for a tax credit or deduction that you must claim on Form 1040A or Form 1040. For more information on tax benefits for education, see Pub. 970.

Caution: If you can claim the premium tax credit or you received any advance payment of the premium tax credit in 2016, you must use Form 1040A or Form 1040.

- You had only wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, or Alaska Permanent Fund dividends, and your taxable interest was not over $1,500. But if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your Form W-2, you may not be able to use Form 1040EZ. (see instructions). If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see instructions.

Filing your return

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the instructions before filling in the form. Also, see the instructions if you received a Form 1099-INT showing federal income tax withheld or if federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

For tips on how to avoid common mistakes, see instructions.

Worksheet for Line 5 — Dependents

Who checked one or both boxes

A. Amount, if any, from line 1 on front

B. Minimum standard deduction

C. Enter the larger of line A or line B here

D. Maximum standard deduction. If single, enter $6,300; if married filing jointly, enter $12,600

E. Enter the smaller of line C or line D here. This is your standard deduction

F. Exemption amount.
   - If single, enter 0.
   - If married filing jointly and —
     - both you and your spouse can be claimed as dependents, enter 0.
     - only one of you can be claimed as a dependent, enter $4,050

G. Add lines E and F. Enter the total here and on line 5 on the front

(keep a copy for your records)

If you did not check any boxes on line 5, enter on line 5 the amount shown below that applies to you:

- Single, enter $10,350. This is the total of your standard deduction ($6,300) and your exemption ($4,050).
- Married filing jointly, enter $20,700. This is the total of your standard deduction ($12,600), your exemption ($4,050), and your spouse’s exemption ($4,050).

Mailing Return

Mail your return by April 18, 2017. Mail it to the address shown on the last page of the instructions.
IRS Form 8917 – Calculate Tuition and Fees Deduction

![IRS Form 8917](image)

**Before you begin:**
- To see if you qualify for this deduction, see Who Can Take the Deduction in the instructions below.
- If you file Form 1040, figure any write-in adjustments to be entered on the dotted line next to Form 1040, line 36. See the 2018 Form 1040 instructions for line 36.

1. **Student’s name**
   - **First name**
   - **Last name**

2. Add the amounts on line 1, column (c), and enter the total.

3. Enter the amount from Form 1040, line 22, or Form 1040A, line 15

4. Enter the total from either:
   - Form 1040, lines 23 through 33, plus any write-in adjustments entered on the dotted line next to Form 1040, line 36, or
   - Form 1040A, lines 16 through 18

5. Subtract line 4 from line 3. If the result is more than $80,000 ($160,000 if married filing jointly), stop; you cannot take the deduction for tuition and fees.

6. **Tuition and fees deduction.** Is the amount on line 5 more than $65,000 ($130,000 if married filing jointly)?
   - **Yes.** Enter the smaller of line 2, or $2,000.
   - **No.** Enter the smaller of line 2, or $4,000.

Also enter this amount on Form 1040, line 34, or Form 1040A, line 19.
Electronic Filing

Free File: Do Your Federal Taxes for Free

Free File is the IRS’ free tax preparation service for almost everyone. Free File does the hard work for you, either through brand-name software or online fillable forms. Give it a try!

Income below $60,000: Free File Software

- Use free tax prep software
- Software makes taxes easier
- State returns available, some are free
- Help me find Free File software

START
Free File Now

Income above $60,000: Free File Fillable Forms

- Fillable, electronic versions of the paper forms
- Must know how to do your taxes yourself
- Does math, offers only basic guidance
- State tax prep is not available

START
Fillable Forms Now
# UW Tax Help

## Free Tax Filing Help

**On UW Seattle Campus — Paccar Hall**

**In Paccar Hall Room # 297**

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<thead>
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<th>Day</th>
<th>Time</th>
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<tbody>
<tr>
<td>Monday</td>
<td>6pm—9pm</td>
</tr>
<tr>
<td>Wednesday</td>
<td>6pm—9pm</td>
</tr>
<tr>
<td>Saturday</td>
<td>10am—2pm</td>
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</tbody>
</table>

**Starting January 24, 2017 through April 17, 2017**
UW Federal Tax Clinic

> Staffed by second-year, third-year, and post-graduate law students and volunteer attorneys

> Helps taxpayers who do not already have tax representation in a current dispute and cannot afford representation

> Assists taxpayers with IRS audits and other federal tax controversies

> Services provided only to those whose income falls at or below a certain level (e.g., $30,150 for a single person in 2017)

> The LITC does not prepare tax returns
For your account information, you must include at least one of the following:

- Student number
- Student name
- SSN or ITIN

**UW student tax website:**

f2.washington.edu/fm/sfs/tax

**Student account questions?**

Send email to: taxquest@uw.edu
IRS Resources

www.irs.gov
Great source for:
> Information about tax return preparation
> Tax forms and instructions
> IRS publications

IRS Seattle Office
915 Second Ave, Seattle
32nd Floor, Federal Building

Hours:
Monday - Friday
8:30 a.m. to 4:30 p.m.
by appointment

Individual Tax Help
1-800-829-1040
> Hotline available to answer questions
> Helps with tax return preparation
IRS Taxpayer Advocate Service

> Serves taxpayers in Washington State
> Helps if you have tried unsuccessfully to resolve a problem with the IRS
> Offers special help to taxpayers experiencing a significant hardship due to their tax problems

www.irs.gov/advocate
1-877-777-4778
206-220-6037
Local Resources

Free Tax Help at Seattle Public Libraries:
www.spl.org

Central Library - 1000 Fourth Ave.
Jan. 11 through April 21
Monday - Thursday: Noon - 7 p.m.
Saturday: 11 a.m. - 5 p.m.
Sunday: 1 p.m. - 5 p.m.

University Branch - 5009 Roosevelt Way NE
Jan. 14 through April 21
Thursday: 1 p.m. – 5 p.m.

Ballard Branch - 5614 22nd Ave. N.W.
Feb. 1 through March 31
Monday: 2:30 p.m. - 7 p.m.
Thursday: 10:30 a.m. - 4 p.m.

Northgate Branch - 10548 Fifth Ave. N.E.
Feb. 4 through April 14
Thursday: 1 p.m. - 7 p.m.

Queen Anne Branch - 400 W. Garfield St.
Feb. 3 through April 13
Wednesday and Saturday: Noon - 5 p.m.