Federal Tax Guide for U.S. Residents Students & Graduate Students

Tax Year 2017
Contacts

1098T Forms
Student Fiscal Services
taxquest@uw.edu
206-221-2609

W-2 forms
Payroll Tax - ISC
pr-tax@uw.edu
206-543-9202
Agenda

- Important Information for 2017 Returns
- American Opportunity Tax Credit
- Lifetime Learning Tax Credit
- Tuition and Fees Deduction
- Qualified Tuition Programs (529 Plans)
- Qualified Education Expenses
- Non-Qualified Education Expenses
- Departmental Scholarships, Fellowships and Grants for U.S. Resident and Citizen students
- Form 1098T
- Information Resources
Important Information

- Deadline for filing tax return is April 17, 2018
- Exemption is $4,050 per person
- Standard deduction is $6,350 for single and $12,700 for joint return
Personal Exemption of $4,050

Exemption:

> Amount of your income that is “exempt” from taxation

> Each taxpayer gets a Personal Exemption

> You cannot claim the Personal Exemption for yourself if you are (or even could be) a dependent!

Per IRS Pub 505:

“If another person (such as your parent) can claim an exemption for you on his or her tax return, you cannot claim your own personal exemption. This is true even if the other person will not claim your exemption.”

Generally, your parents can claim you as a dependent if you are:

✓ Under the age of 24
✓ A full-time student
✓ Receiving more than half support from them
Standard Deduction of $6,350

- An amount you will subtract from your gross income before you calculate your taxes.
- Taxpayers can do itemized deductions if they have more expenses, like mortgage interest or property tax.
- If you cannot do the itemized deduction, the IRS gives you a standard deduction amount.

✓ You can use the standard deduction whether you are a dependent or not!
Who Has to File Taxes?

You must file a federal tax return if you:

> Worked in the United States or received United States source income, and

> 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
What is United States Source Income

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.
What is NOT Included in Gross Income?

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

> You are a degree candidate

> Your money is for tuition, books, and supplies

and

> The amounts you received were not payments to you for performance of services (for example, a wage for a part-time job)
What is Included in Gross Income?

Amounts received for living expenses are taxable

Amounts received as payment for services are taxable

> Most stipends for services performed as an ASE (Academic Student Employee), regardless of the purpose for which these stipends are awarded, are fully taxable
What is Included in Gross Income?

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
What is the 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)
  > $6,350 of earned income (e.g. wages, compensation)

> You are not a dependent, Single Filing Status, and you earned
  > $10,400 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.
American Opportunity Tax Credit

> For students enrolled in undergraduate programs

> Applies to the first four years of post-secondary education

> Up to $2,500 of the cost of qualified tuition and related expenses paid during the tax year
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 2017
When you CAN claim a Tax Credit

> If you pay qualified education expenses

> For American Opportunity: your MGI is under $90,000 for single or under $180,000 for married filing jointly

> For Lifetime Learning: your MGI is under $66,000 for single or under $132,000 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 American Opportunity: your MGI is over $90,000 for single or over $180,000 for married filing jointly

> For the Lifetime Learning: your income is over $66,000 for single and over $132,000 for married filing jointly

> You or your spouse was a non-resident alien for any part of 2017 and the non-resident did not elect to be treated as a resident for tax purposes
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 $80,000 for single and $160,000 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
Qualified Tuition Program
(GET or 529 College Saving Program)

> Many states have programs that allow people to prepay or contribute to an account for paying qualified education expenses.

> No tax is due on a distribution for a QTP unless the amount distributed is greater than the qualified education expenses.

> Washington State offers the GET program
  – Payments from this program are not reported on the 1098T tax form
Qualified Education Expenses – American Opportunity

> Per IRS regulations, qualified education expenses are:
  
  – Tuition and fees required for enrollment
  – Course related books
  – Supplies
  – Equipment needed for a course of study

> **Whether or not** paid to the educational institution as a condition of enrollment or attendance
Qualified Education Expenses – Lifetime Learning

> 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 the expense is required for attendance and is paid directly to the educational 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)

- UW generates a 1098T form to all UW and PCE students. Online printing available from website:
  
  http://finance.uw.edu/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
Box 2: Qualified tuition and related expenses .......... $10,363.00
Box 5: Scholarships or grants................................. $0.00
Box 7: Expenses include an amount for 2018 ............ No
Box 8: Student is at least half-time ....................... Yes
Box 9: Student is a graduate student .................... Yes

Difference: $10,363.00

Maximum credits:
American Opportunity is $2,500
Lifetime Learning is $2,000
Box 2 $7,000.00
Box 5 - $10,551.00
Difference - $3,551.00
Extra scholarship funds to report as income $3,551.00
**1098T Form – Stipend**

**UNIVERSITY OF WASHINGTON**

**Educational Tax Credits Report**

**IRS Form 1098-T and UW Information Statement – Tax Year 2017**

If you have any questions regarding IRS Form 1098-T, please contact Student Fiscal Services via email at taxcredits@uw.edu or call 206-221-2039. Pacific Time Monday through Friday. See reverse page for additional information.

University of Washington
Student Fiscal Services
Box 256201, Seattle WA 98195

**SOCSEC NUMBER:**

**Student Number:**

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**INFORMATION SUBMITTED TO THE IRS**

The following information is being sent to the IRS. Box numbers correspond to IRS Form 1098-T, also called the "Tuition Statement." Any box numbers not listed should be considered to have a zero dollar amount.

- **Box 2**: Qualified tuition and related expenses
  - 2017 Tuition: $30,738.00
- **Box 5**: Scholarships or grants
  - 2017 Tuition: $53,470.72
- **Box 7**: Expenses include an amount for 2018
  - No
- **Box 8**: Student is at least half-time
  - Yes
- **Box 9**: Student is a graduate student
  - Yes

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**STIPEND PAID VIA PAYROLL**

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

| Box 2  | $30,738.00 |
| Box 5  | - $53,470.72 |
| Difference | - $22,732.72 |

Extra scholarship funds to report as income $22,732.72

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**DETAIL OF CHARGES AND FINANCIAL ASSISTANCE RECEIVED**

The following detailed information is NOT being sent to the IRS.

**QUALIFIED TUITION and RELATED EXPENSES CHARGED IN 2017**

<table>
<thead>
<tr>
<th>Date Transaction</th>
<th>Winter 2017 Tuition</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/17/17</td>
<td>$9,354.00</td>
<td></td>
</tr>
<tr>
<td>3/2/17</td>
<td>$9,354.00</td>
<td></td>
</tr>
<tr>
<td>6/20/17</td>
<td>$2,084.00</td>
<td></td>
</tr>
<tr>
<td>9/25/17</td>
<td>$6,356.00</td>
<td>$20,798.00</td>
</tr>
</tbody>
</table>

**SCHOLARSHIPS OR GRANTS RECEIVED IN 2017**

<table>
<thead>
<tr>
<th>Date Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/24/16</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>2/4/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>3/29/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>4/5/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>5/25/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>6/20/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>7/17/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>8/18/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>9/15/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>10/12/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>10/16/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td>12/01/17</td>
<td>Graduate Service Assistant Waiver</td>
</tr>
<tr>
<td></td>
<td>Total: $33,470.72</td>
</tr>
</tbody>
</table>
To report scholarship income:

Line 7 “sch”
To report tax credits from Form 8863
Line 50
To report scholarship income: Line 7 “sch”
To report tax credits from Form 8863
Line 33
To report scholarship income:

Line 1 “sch”
IRS Form 1040EZ

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 2017. You were born on January 1, 1993 or earlier.
- 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, see the Tax Topics listed under Adjustments to Income at www.irs.gov/taxtopics (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, see the Tax Topics listed under Tax Credits at www.irs.gov/taxtopics (see instructions). If you received a Form 1099-R 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. 915.
- Caution: If you can claim the premium tax credit or you received any advance payment of the premium tax credit in 2017, you must use Form 1095A or Form 1094.
- You had only wages, salaries, tips, taxable scholarships or fellowships, 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.
- You are not claiming an increased standard deduction due to a loss you suffered related to property in a Presidentially declared disaster area. If you can increase your standard deduction due to such a loss, use Form 1040 instead. See Pub. 976 for more information.

Filing In 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

| Amount, if any, from line 1 or 2. | 150.00 Enter total | A |
| Minimum standard deduction | 1,550 | B |
| Enter the larger of line A or line B here | | C |
| Maximum standard deduction | 12,700 | D |
| Enter the smaller of line C or line D here. This is your standard deduction | | E |
| Exemption amount | | F |
| If single, enter 6,000 | | G |
| If married filing jointly and — | | H |
| — both you and your spouse can be claimed as dependents, enter 6,000 | | I |
| Only one of you can be claimed as a dependent, enter 3,925 | | J |
| Add lines B, E, F, G, H, I, J, and L. Enter total here and on line 5 on the front | | K |

(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 $3,400. This is the total of your standard deduction ($6,350) and your exemption ($4,450).
- Married filing jointly, enter $6,800. This is the total of your standard deduction ($12,700), your exemption ($4,450), and your spouse’s exemption ($4,450).

Mailing Return
Mail your return by April 17, 2018. Mail it to the address shown on the last page of the instructions.

Go to www.irs.gov/Form1040EZ for instructions and the latest information.
IRS Form 8917 – Calculate Tuition and Fees Deduction

### Form 8917

**Tuition and Fees Deduction**

- Department of the Treasury
- Internal Revenue Service

**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 2017 Form 1040 instructions for line 36.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(a) Student’s name (as shown on page 1 of your tax return)</td>
<td>(b) Student’s social security number (as shown on page 1 of your tax return)</td>
</tr>
<tr>
<td></td>
<td>First name</td>
<td>Last name</td>
</tr>
<tr>
<td>2</td>
<td>Add the amounts on line 1, column (c), and enter the total</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Enter the amount from Form 1040, line 22, or Form 1040A, line 15</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Enter the total from either:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Form 1040, lines 23 through 33, plus any write-in adjustments entered on the dotted line next to Form 1040, line 36, or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Form 1040A, lines 16 through 18</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>
|   | "If you are filing Form 2555, 2555-EZ, or 4563, or you are excluding income from Puerto Rico, see *Effect of the Amount of Your Income on the Amount of Your Deduction* in Pub. 970, chapter 6, to figure the amount to enter on line 5."
| 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. |

*For Paperwork Reduction Act Notice, see your tax return instructions.*
Electronic Filing

Free File: Do Your Federal Taxes for Free

Welcome to Free File, where you can prepare and file your federal individual income tax return for free using tax preparation and filing software.

Let Free File do the hard work for you with brand-name software or Free File Fillable Forms.

Free File is open for business!

Click the Start Free File Now button to file your FREE federal return.

Remember: By law, the IRS must hold refunds claiming the Earned Income Tax Credit and/or the Additional Child Tax Credit until mid-February.

Income below $66,000: Free File Software

- File your taxes with free, easy-to-use software
- Free state return options are available
- Use the Free File Software Locator Tool to find free federal and state return options

Start Free File Now

Free File Help

- How to use Free File (PDF)
- What you need to get started
- How to file your return
- How to file your extension with Free File

Income above $66,000: Free File Fillable Forms

- Must know how to do your taxes yourself
- Does not offer only basic guidance
- You must have your 2016 Tax Return
- State tax return is not available
- Before starting, please visit our Fillable Forms User’s Guide & Help page

Start Fillable Forms Now

Other Topics

- Get Replacement Social Security Benefit Statement Form SS-16 (PDF)

IRS Website Navigation:
- File
- Pay
- Refunds
- Credits & Deductions
- Forms & Instructions

Home > File > Individuals > How to File > Free File > Free File: Do Your Federal Taxes for Free
IRS Resources

Great source for:
- Information about tax return preparation
- Tax forms and instructions
- IRS Publications

Help by phone:
- Hotline available to answer questions
- Helps with tax return preparation
- Most documents are easy to print

www.irs.gov
IRS Publication 970

Individual Tax Help
1-800-829-1040

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

Hours:
Monday - Friday
8:30 am to 4:30 pm by appointment
At Your Service

Taxpayer Advocate Service
www.irs.gov/advocate
(206) 946-3707

> 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.
On-Campus Tax Help

Free tax help--- file your tax return by United Way of King County VITA site & the Foster School of Business

Mackenzie Hall, Room 132
Monday & Wednesday: 4 – 7 pm
Friday: 12 – 3 pm

https://www.uwkc.org/need-help/tax-help/
Local Resources

Central Library at 1000 Fourth Ave.
Jan. 13 through April 20
Noon - 7 p.m. Monday - Thursday
Noon - 4 p.m. Friday
11 a.m. - 5 p.m. Saturday
1 p.m. - 5 p.m. Sunday

Ballard Branch at 5614 22nd Ave. N.W.
Feb. 2 through April 16
2:30 p.m. - 7 p.m. Monday
10:30 a.m. - 4 p.m. Thursday

Queen Anne Branch at 400 W. Garfield St.
Feb. 4 through April 14
11 a.m. - 3 p.m. Wednesday and Saturday

Free Tax Help at Seattle Public Libraries.
For more times and locations, please visit:

www.spl.org

National VITA Site Number:
1-800-906-9887
For More Tax Information

IRS Web Site

www.irs.gov

IRS Publication 970

IRS Instructions for 1040
For a no-hassle, paperless, environmentally friendly 1098T, sign up to “Opt Out” of receiving the paper 1098T form.

Student Fiscal Services will send you an email as soon as the 1098T is on your MyUW page!

For more information go to: http://finance.uw.edu/sfs/tax
To contact student fiscal service by phone or email, you need to provide your student ID number.

Student account questions?
Send email to: taxquest@uw.edu

Student Fiscal Services
206-543-4694

UW student tax website:
f2.washington.edu/fm/sfs/tax