

Gross Up Calculation Examples

A department may choose to pay the federal withholding tax for a foreign national, however, the amount paid in tax becomes taxable income for the recipient.

EXAMPLE

A department wants to award a \$1,000 stipend after taxes have been withheld to a student on an F-1 visa who does not qualify for a tax treaty benefit. The stipend is taxed at 14%. Using the gross-up formula below, the total amount of the stipend should be \$1,162.79. The Payroll Office will issue a check for \$1,000 to the student and send the tax, \$162.79 to the IRS. On the IRS Form 1042-S issued to the student, the full amount of \$1,162.79 will be reported.

Gross-Up Formula

- $\text{Stipend amount} / (1.0 - (\text{tax rate})) = \text{Total stipend payment}$
- $1.0 - .14 (\text{tax rate}) = .86$
- $\$1,000 / .86 = \$1,162.791$
- $\text{Total stipend payment} = \$1,162.79$

