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

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