U.S. Residents: Graduate Students
Tax Year 2018
Agenda

> IRS Information and Your Responsibilities
> U.S. Resident Taxes
  – 1098-T and Other Tax Forms
  – Tax Credits and Taxable Income
Important Information

> Deadline for filing tax return is Tuesday April 17, 2019
> Standard deduction is $12,000 for single and $24,000 for married couples
> No personal exemption in 2018 tax year
> Only use 1040 Tax form. No 1040A or 1040EZ
> Tuition and fees deduction expired in 2017 tax year
What is the IRS?

> The Internal Revenue Service
> 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
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.
At Your Service

UW Federal Tax Clinic
(206) 685-6805

> 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 2018)

> The LITC does not prepare tax returns
Your Rights & 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 & 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 15th
> 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**!
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)
  - $12,000 of earned income (e.g. wages, compensation)

> You are not a dependent, Single Filing Status, and you earned
  - $12,000 any type of income ($24,000 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
Standard Deduction of $12,000 for single filer

- 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!
What are Tax Credits or Deductions?

A **Credit** is an amount that you *subtract from your Tax* (which is computed based on Taxable Income) to determine how much Tax you actually owe.

A **Deduction** is an amount that you *subtract from Gross Income* in order to calculate Taxable income.
What are Tax Credits or Deductions?

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<thead>
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<tr>
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<td><strong>(Less Deduction)</strong></td>
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Note that the $250 Credit is **far more valuable to this student!**
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 2018
When you CAN claim a Tax Credit

> If you pay qualified education expenses

> For Lifetime Learning: your Modified Adjusted Gross Income is under $67,000 for single person or under $134,000 if you file a joint return

> To claim a credit, use tax form 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
> You or your spouse was a Non-Resident Alien for any part of 2018 and the non-resident did not elect to be treated as a resident for tax purposes
> For the Lifetime Learning: your income is over $67,000 for single and over $134,000 for married-joint return
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 required to be paid as a condition of enrollment or attendance
Qualified Education Expenses

Do NOT include:

> Insurance

> Medical Expenses (including student health fees)

> Transportation (Upass)

> Room & Board

> Athletic Fees
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, UW does not withhold taxes at that time, but the payment may be taxable

2. When departments award money in the student account system, the Financial Aid Office will receive all the income 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 Lifetime Learning Credit:

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

   http://finance.uw.edu/sfs/tax

> Summarizes all the tuition and related expenses in Box 1

> Summarizes scholarship, fellowship and financial aid grant 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 to the IRS

Information on the form:

> Box 1 – total of qualified tuition and related expenses

> Box 5 – total of scholarship or financial aid grants

When comparing box 1 to box 5:

> If box 1 total is greater than box 5 total, student may qualify for a tax credit

> If box 5 total is greater than the box 1 total, student will have to report the difference in the amount as income
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
American Opportunity or Lifetime Learning Tax Credits

Box 1 $ 39,228.00
Box 5 - $ 0.00
Difference $ 39,228.00

Claim one of the credits:
American Opportunity is $2,500
Lifetime Learning is $2,000
Can claim either American Opportunity or Life Time Learning Tax Credit
# UW 1098T Form – Scholarship Income

<table>
<thead>
<tr>
<th>Box 1</th>
<th>$10,435.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box 5</td>
<td>- $25,320.00</td>
</tr>
<tr>
<td>Difference</td>
<td>- $14,885.00</td>
</tr>
</tbody>
</table>

Extra scholarship funds to report as income $14,885.00
Stipend

Stipend Paid via Payroll

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

Box 1 $35,333.00
Box 5 - $45,599.50
Difference - $10,266.50

Extra scholarship funds to report as income $10,266.50
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 $80,000 ($165,000 for married filing jointly)

> Deduction is reduced when income exceeds $65,000 ($135,000 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 $3,500
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 Joint

> More than Two Qualifying Children - $54,884
> Two Qualifying Children - $51,492
> Only One Qualifying Child - $46,010
> No Qualifying Child & over age 25 - $20,950
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 1 “sch”
Line 17 C
To report tax credits from form 8863
IRS Form 8863 to Calculate Tax Credit
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 software and filing software.

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

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

Free File Help
- How to use Free File Infographics (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 data is not available
- Before starting, please visit our Fillable Forms User’s Guide & Help page

Free File: Do Your Federal Taxes for Free

41 | Revised March 26, 2019
To Get Help With Tax Questions

IRS Office – In Person

915 Second Ave (Downtown Seattle)
32nd Floor, Federal Building
Monday – Friday
8:30am to 4:30pm by appointment only

Individual Tax Help Phone Number:
1-800-829-1040
On-Campus Tax Help

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

Ground Floor of Mackenzie Hall

January 15 – April 19

Monday & Wednesday: 4 pm – 7 pm

Friday: 12 pm – 3 pm

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

Central Library at 1000 Fourth Ave.
Jan. 15 through April 18
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. 4 through April 15
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. 6 through April 13
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
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:
finance.uw.edu/fm/sfs/tax

Other Tax Questions?
Send email to: lic@uw.edu