U.S. Resident Taxes

University of Washington
Student Fiscal Services
Agenda

> Important Information for 2020 Returns
> American Opportunity Tax Credit & Lifetime Learning Tax Credit
> Qualified Tuition Programs (529 Plans)
> Qualified Education Expenses
> Non-Qualified Education Expenses
> Departmental Scholarships, Fellowships and Grants for U.S. Resident students
> Prepaying Your Taxes to the IRS
> Form 1098T
> Information Resources
Important Information

> Tax due date is 04-15-2021

**Note:** The tax due date has been extended to **May, 17, 2021**

> Standard deduction is $12,400 for single and $24,800 for married joint return

> CARES Act payment is not reported in Box 5 on the 1098T form. This money is non-taxable

> Only use 1040 tax form to file. Form1040A or 1040EZ have been discontinued.
Standard Deduction of $12,400 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 large acceptable expenses, like mortgage interest or property tax
- The IRS gives you the standard deduction if you do not have itemized deductions or if your itemized deductions are less than $12,400

✓ You can use the standard deduction whether you are a dependent or not!
Tax Credit

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

> Please read IRS Publication 970 for more information on the two education tax credits

> Check if you can claim the tuition and fees deduction if you do not qualify for the tax credit

> Check IRS form 8917 for more information on the tuition & fees deduction
American Opportunity Tax Credit:

> Applies to the first four years of post-secondary education, this credit is for **undergraduate students**

> You can claim up to a **$2,500 credit** if you paid the cost of qualified tuition and related expenses in the tax year 2020.
Lifetime Learning Tax Credit:

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

> Includes students enrolled in a graduate program or fee base program

> For an unlimited number of years

> Credit is calculated by 20% of the first $10,000 you paid for the qualified education expenses

> Maximum $2,000 credit in tax year 2020
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. AOTC is incrementally decreased for MGI between $80,000 – $90,000 for single filers and 160,000 – 180,000 for joint filers

> For Lifetime Learning: your MGI is under $69,000 for single or under $138,000 for married filing jointly. LLC is incrementally decreased if your MGI is between $59,000 – $69,000 for single filers and $118,000 – $138,000 for joint filers

> To claim a credit, use tax form 1040

> To calculate the tax credit, use form 8863
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 $69,000 for single and over $138,000 for married filing jointly
- You or your spouse was classified as a Non-Resident Alien for any part of 2020 and did not elect to be treated as a resident for tax purposes
Qualified Tuition Program
(GET/DreamAhead or 529 College Saving Program)

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

> **No tax is due on a distribution for a Qualify Tuition Payment** unless the amount distributed is greater than the qualified education expenses

> Washington State offers the GET program and the DreamAhead Program

> Payments from these two programs are not reported on the 1098T tax form
Qualified Education Expenses For American Opportunity Tax Credit

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

Qualified Educational Expenses include course materials that the student needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance
Qualified Education Expenses for Lifetime Learning Tax Credit

Per IRS regulations, qualified education expenses are:

- Tuition and fees required for enrollment
- Books
- Supplies
- Equipment

- May be claimed 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 (U-Pass)
- Room & Board
- Similar personal, living or family expenses
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

> Prizes, awards and stipends are taxable income

> When a department awards money onto the student’s tuition account, the UW does not withhold taxes, but will report it on the 1098T form

> The money can affect the student’s tax credit and financial aid status
  
  – When departments award money in the student account system, the Financial Aid Office will receive this information for use in determining the needs of students when they apply for financial aid
Paying Taxes on Stipend Payments

> Stipend payment from your department is a taxable form of income
> Federal taxes are not withheld from departmental stipend payments
> For taxable income with taxes not withheld, you should prepay taxes to the IRS quarterly to reduce the tax amount due when you file your yearly tax return
How to Prepay Your Taxes

> Visit: irs.gov/payments
> Go to make a payment section:

> To pay you will need your SS# and the amount you owe
> You need to select the year and indicate this is a prepay tax payment
> Print a payment receipt after you pay
1098T Form (prepared by UW)

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

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

> Summarizes all tuition and fee charges and payments in Box 1

> Summarizes scholarships, fellowships and financial aid in Box 5

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

> Non Resident Alien students do not receive the 1098T form, but there are some exceptions
1098T Form (prepared by UW)

UW reports tuition payments plus scholarships and financial aid grants on the 1098T form

Information on the form:

> Box 1 – total of qualified tuition and fees payments

> Box 5 – total of scholarships 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
1098T Form – Tax Credits

Box 1 $11,041.00
Box 5 - $6,374.00
Difference: $4,667.00

you can only claim one of the credits:
American Opportunity is $2,500
Lifetime Learning is $2,000
Box 1: $3,738.00
Box 5: -$7,537.00
Difference: - $3,799.00

Extra scholarship funds to report as income: $ 3,799.00
**1098T Form – Stipend**

**UNIVERSITY OF WASHINGTON**

Educational Tax Credits Report

IRS Form 1098-T and UW Information Statement – Tax Year 2020

Box 568871, Seattle WA 98195

UW IRS Identification Number: 01-6001557

**Box 1:** $ 24,778.00  
**Box 5:** - $ 43,558.00  
**Difference:** -18,780.00

Additional scholarship payments should be filed as additional income: $18,780.00

*Stipend Paid via Payroll:*

No taxes are withheld by the payroll office – stipends are reported on the 1098T form as a scholarship. This may increase tax liability.
To report excess scholarship as income use:

**LINE 1: amount & “SCH”**
To report tax credits from form 8863 use:

LINE 29
IRS Form 8863 – Calculate Tax Credit

**Part I: Refundable American Opportunity Credit**

1. After completing Part 1 for each student, enter the total of all amounts from all Parts II, line 20.
2. Enter $1,700 if married filing jointly; $850 if single, head of household, or qualifying widow(er).
3. Enter the amount from Form 1040 or 1040-SR, line 9.
4. Subtract line 3 from line 2. If zero or less, line 3 is all you can claim as an education credit.
5. Enter $50,000 if married filing jointly, $25,000 if single, head of household, or qualifying widow(er).
6. If line 4 is:
   - Equal to or more than line 5, enter 1,300 on line 5.
   - Less than line 5, divide line 4 by line 5. Enter the result as a decimal rounded to at least three places.
7. Multiply line 1 by line 5.
8. Subtract line 6 from line 7. Enter here and on line 2 of the Credit Limit Worksheet (see instructions).
9. After completing Part IV for each student, enter the total of all amounts from all Parts II, line 20. It zero, skip lines 11 through 17, enter 0 on line 18, and go to line 19.
10. Enter the smaller of line 4 or $1,000.
11. Multiply line 11 by 20% (0.20).
12. Enter: $12,800 if married filing jointly; $6,400 if single, head of household, or qualifying widow(er).
13. Enter: $5,100 if married filing jointly; $2,550 if single, head of household, or qualifying widow(er).
14. Enter the amount from Form 1040 or 1040-SR, line 9, if you’re excluding income from Puerto Rico, see Pub. 970 for the amount to enter.
15. Subtract line 9 from line 13.
16. If line 12 is:
   - Equal to or more than line 15, enter 1,000 on line 17 and go to line 18.
   - Less than line 15, divide line 12 by line 16. Enter the result as a decimal rounded to at least three places.
17. Multiply line 12 by line 17.
18. Subtract line 6 from line 18. Enter here and on line 1 of the Credit Limit Worksheet (see instructions).
19. Nonrefundable Education Credits. Enter the amount from line 3 of the Credit Limit Worksheet (see instructions) and on Schedule 3 (Form 1040), line 13.

For Paperwork Reduction Act Notices, see your tax return instructions.

Cat. No. 2079M

Form 8863 (2021)
Electronic Filing

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.

If you didn’t get the full Economic Impact Payment, you may be eligible to claim the Recovery Rebate Credit using Free File.

If you didn’t get any payments or got less than the full amounts, you may qualify for the credit, even if you don’t normally file taxes. See Recovery Rebate Credit for more information.

IRS Free File lets you prepare and file your federal income tax online for free. File at an IRS partner site with the IRS Free File Program or use Free File Fillable Forms. It’s safe, easy and no cost to you.

Pick an option based on your income

**Income $72,000 and below:**
- Free federal tax filing on an IRS partner site
- State tax filing (free with some offers)
- Guided preparation – simply answer questions
- Online service does all the math
- More about IRS Free File

**Income above $72,000:**
- Free electronic forms you fill out and file yourself
- No state tax filing
- You should know how to prepare paper forms
- Basic calculations with limited guidance

**Free File Fillable Forms:** Opens February 12, 2021
- More about Free File Fillable Forms

**What Is IRS Free File?**

The IRS Free File Program is a public-private partnership between the IRS and many tax preparation and filing software industry leaders who provide their brand-name products for free. It provides two ways for taxpayers to prepare and file their federal income tax online for free:

- Traditional IRS Free File provides free online tax preparation and filing options on IRS partner sites. Our partners are online tax preparation companies that develop and deliver this service at no cost to qualifying taxpayers. Please note, only taxpayers who qualified for the Economic Impact Payment are eligible to file for an IRS Free File offer.

- IRS Free File Fillable Forms provides the option to prepare and file your federal tax return using Fillable Forms available online at IRS.gov for free. This option is available anytime during tax season.
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
Online Tax Help

United Tax Way Free Online Tax Help
January 20 – April 18, 2021

Follow the link below:
https://www.uwkc.org/need-help/tax-help/
For More Tax Information

IRS Web Site
www.irs.gov

IRS Publication 970
IRS Instructions for 1040
Opting Out of the Paper 1098-T

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 Tax line
206-221-2609

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

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

W-2 forms
Payroll Tax - ISC
pr-tax@uw.edu
206-616-4317