

UNDERSTANDING INCOME SOURCES & TAX REPORTING INFORMATION

An educational overview for Incoming PhD Students at
Duke University

This session is brought to you by:



&



What is?

Personal Finance@Duke

A program designed to drive confidence in Duke students and alumni through educational information and a space for reflection in order to foster more informed financial decision making and empowered sense of direction when it comes to managing money in school and in life beyond graduation.



PURPOSE OF TAX FILING

Why is this topic of importance to me?

Why are we here and talking about taxes?

In the eyes of the IRS,

Every dollar is taxable income

Unless.....

You tell them differently
by filing
an income tax return!

1040 Form

Regardless of how you file- tax filing through a software, free E-filing with IRS, or working with an CPA or other tax professional- the 1040 form for U.S. Individual Income Tax Return is how you communicate what part of your income is taxable and what part is not!

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2018** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: Single Married filing jointly Married filing separately Qualifying widow(er) Head of household

Your first name and initial Last name Your social security number

Your standard deduction: Someone can claim you as a dependent You were born before January 2, 1954 You are blind

Spouse or qualifying person's first name and initial (see inst.) Last name Spouse's social security number

Spouse standard deduction: Someone can claim your spouse as a dependent Your spouse was born before January 2, 1954
 Your spouse is blind Your spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Full-year health care coverage (see instructions)

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. If more than four dependents, see instructions and check here . . .

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation

Joint return? See instructions. If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Discussion Points

Information highlighted in today's session includes:

- Types of Income
- Definitions of Taxable & Non-Taxable Income
- Definitions of Qualified & Non-Qualified Education Expenses
- Reporting Documents & Tax Payments
- Tax Credits, Deductions, & IRA Contributions

TYPES OF INCOME

How are Duke PhD students paid, compensated, or funded?

Two Main Categories of Income:

Compensatory

- Compensatory payments are payments Duke University makes to individuals who are providing a service for or on behalf of Duke. Recipients will likely have a work requirement.

Non-Compensatory

- Non-compensatory payments are payments Duke University makes to individuals who are receiving payments for scholarships, fellowships, educational enrichment opportunities requiring no services, or post-doctoral training activities.

Compensatory Income Examples:

- Research Assistant
- Teaching Assistant
- Graduate Assistant

Non- Compensatory Income Examples:

- Scholarship (Undergraduate)
- Fellowship Stipend

Additional Examples:

Compensatory

- A faculty member is working on a project and pays a student to assist with the research. The student participation is not a degree requirement. If the student was not assisting with the research, the faculty member would have to hire someone else to do the work or do it herself.
- A student is paid a stipend to attend a faculty member's conference, arrange seating, mail invitations, and provide chauffeur service to/from hotels.
- A student is paid as an intern in a Duke department or with a partner institution for providing research assistance. There is no program designed to train students as part of their degree requirements. The student is providing a needed service.

Non-Compensatory

- A Duke student receives financial support to do research solely for her thesis that is needed for her degree. The research is not for, nor does it provide a benefit to a faculty member.
- A student is paid a stipend to participate in a conference directly related to their graduate studies. No work is performed.
- As part of a degree program, a Duke student is paid to participate in an educational enrichment opportunity requiring no services at an outside organization where he will focus on learning research techniques. He will not be providing a service to the outside organization, but is in a learning role.

DETERMINING TAXABLE STATUS

How do I know if my income source should be considered taxable or not?

General Trends for Taxable Status:

- Scholarship- For the purpose of general education expenses; **May be taxable**
- Fellowship Stipend- To aid in the pursuit of study or research; **May be taxable**
- Bursar Account Credit- **May be taxable**
- Research Grant- **May be taxable, depends on use**
- Research Assistant- **Almost always taxable**
- Teaching Assistant- **Almost always taxable**
- Graduate Assistant- **Almost always taxable**

Compare to IRS Definitions for Taxable & Non-Taxable Income:

Depends on type of expenses paid
with the funds

Taxable: Non-Qualified Education Expense

Non-Taxable: Qualified Education Expense

Compare to IRS Definitions for Non-Qualified & Qualified Education Expenses:

Non-Qualified Expenses (Taxable)

- Costs not explicitly associated with degree pursuit/enrollment requirement:
- Room & Board
- Insurance
- Misc. Fees (ie. Parking)
- Medical expenses
- Equipment and other expenses not required for enrollment

Qualified Expenses (Non-Taxable)

- Costs you incur due to degree pursuit/enrollment requirement:
- Tuition
- Mandatory Fees (ie. One-Time Registration Fee)
- Required, course-related expenses (ie. Textbook, fees, supplies... must be required for ALL students in the course)

REPORTING DOCUMENTS

What forms will your income streams, funding sources, or other types of compensation be reported on?

W2 Tax Form

Issued by Duke Payroll Services to:

- Students who have a work requirement in order to receive their scholarship, grant or fellowship money.
- All employees of Duke University and Duke University Health System who are US citizens, permanent residents or residents for tax purposes.
- To foreign national employees who are not eligible for or do not claim a tax treaty.
- To foreign national employees whose earnings exceed allowable maximums of a tax treaty.

W2 Tax Form

		a Employee's social security number		OMB No. 1545-0008		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN)				1 Wages, tips, other compensation		2 Federal income tax withheld					
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld					
				5 Medicare wages and tips		6 Medicare tax withheld					
				7 Social security tips		8 Allocated tips					
d Control number				9		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12			
						13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b			
						14 Other		12c			
								12d			
f Employee's address and ZIP code											
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax	
										20 Locality name	

Form W-2 Wage and Tax Statement 2016 Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

1099 Misc. Form

Issued by Accounts Payable to students who are US citizens, permanent residents, or residents for tax purposes, and who receive payments through the **non-compensatory payment system**:

- Any scholarship and fellowship payment for which the student elected to have taxes withheld.
- All postdoctoral scholars and student internship payments.

Box 3 Non-compensatory payments

Payments Duke University makes to individuals who are receiving payments for scholarships, fellowships, summer internships, or post-doctoral training activities. Individuals receiving these payments are not considered a Duke employee, and are receiving funds through Duke University for educational enrichment opportunities.

Box 7 – Nonemployee Compensation

Unlikely that you would receive independent contractor compensation from Duke or another funding agency for your role as a graduate student. Self-employment is indicated by income reported in Box 7 of a 1099-MISC. If you receive Box 7 income from your role as a graduate student, you may want to double-check with the issuing body that they have issued you the correct form.

1099 Misc. Form

<input type="checkbox"/> CORRECTED (if checked)				OMB No. 1545-0115		Miscellaneous Income
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents		2016		
		\$		Form 1099-MISC		
		2 Royalties				
		\$		3 Other Income	\$	Copy B For Recipient
PAYER'S federal identification number	RECIPIENT'S identification number	4 Federal income tax withheld	\$	5 Fishing boat proceeds	\$	
RECIPIENT'S name		6 Medical and health care payments	\$	7 Nonemployee compensation	\$	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.)		8 Substitute payments in lieu of dividends or interest	\$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	\$	
City or town, state or province, country, and ZIP or foreign postal code		10 Crop insurance proceeds	\$	11	12	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments	\$	14 Gross proceeds paid to an attorney	\$	
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	\$	17 State/Payer's state no.	18 State income	
\$	\$	\$	\$		\$	

Form **1099-MISC**

(keep for your records)

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service

Courtesy Letter

Issued by Payroll Services to students:

- Who are US citizens, permanent residents, or residents for tax purposes,
- Who receive scholarships or fellowships through the non-compensatory payment system, and
- Who choose not to have tax withholdings taken from their payments

Duke is not obligated and doesn't report this amount to the IRS.
This does not mean, however, that the payments are not taxable.

It is up to the student to determine whether or not this is reportable income. This information is provided as a courtesy.

Courtesy Letter

Total Fellowship/Scholarship Payments
Issued in Tax Year 2010

\$*****

During calendar year 2010, Corporate Payroll Services issued to you fellowship/scholarship or stipend payments totaling the amount noted above. This amount excludes financial aid credited directly to your student account with the Bursar's Office.

Duke University will not report these payments to the IRS for tax year 2010. **This does not mean you do not have any federal or state tax liability.** As a reference, Section 117 of the Internal Revenue Code is printed on the reverse side of this form. Duke University recommends that you contact your accountant for tax advice to ensure you are in compliance with the income tax laws as written.

If you have any questions regarding the year-to-date amount, please contact the Corporate Payroll Services staff at (919) 684-2642.

Distributed/postmarked no later than January 31 of each calendar year

1098-T Form

Issued by the Bursar's Office to students:

- Who are US citizens, permanent residents, or residents for tax purposes, and only to those students that received financial aid in the form of scholarships, grants, or third party payments that DID NOT exceed the amount of payments for qualified tuition and related expenses posted in the respective calendar year
- Payments from Duke posted to your Bursar account for university billed charges such as tuition and insurance are reported in Box 5 as scholarships or grants and should be included when adding up your scholarship and fellowship income.

Box 2- The amount of qualified tuition and related expenses billed through your Bursar account. It is not the amount you paid.

Box 5- The amount of scholarship and fellowship payments posted to your Bursar account.

1098 T-Form

<input type="checkbox"/> CORRECTED				Tuition Statement	
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses	2017		OMB No. 1545-1574
		\$			
FILER'S federal identification no.		2 Amounts billed for qualified tuition and related expenses	Form 1098-T		Copy B For Student
		\$			
STUDENT'S taxpayer identification no.		3 If this box is checked, your educational institution changed its reporting method for 2017		This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.	
STUDENT'S name		4 Adjustments made for a prior year	5 Scholarships or grants		
Street address (including apt. no.)		\$	\$		
City or town, state or province, country, and ZIP or foreign postal code		6 Adjustments to scholarships or grants for a prior year	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2018 ▶		
Service Provider/Acct. No. (see instr.)		8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund	
				\$	

Form **1098-T** (keep for your records) www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service

Where to Input on 1040 Form- W2 Income

Form **1040** Department of the Treasury—Internal Revenue Service **2022** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying surviving spouse (QSS)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
 Foreign country name Foreign province/state/county Foreign postal code

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** Were born before January 2, 1958 Are blind **Spouse:** Was born before January 2, 1958 Is blind

Dependents (see instructions):
 If more than four dependents, see instructions and check here

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions):	
				Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Income

	1a	1b	1c	1d	1e	1f
1a Total amount from Form(s) W-2, box 1 (see instructions)						
b Household employee wages not reported on Form(s) W-2						
c Tip income not reported on line 1a (see instructions)						
d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)						
e Taxable dependent care benefits from Form 2441, line 26						
f Employer-provided adoption benefits from Form 8839, line 29						

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

Where to Input on Schedule 1 of 1040 Form- Taxable Portion of Scholarship/ Fellowship Income

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.		2022 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes		1	
2a	Alimony received		2a	
b	Date of original divorce or separation agreement (see instructions):			
3	Business income or (loss). Attach Schedule C		3	
4	Other gains or (losses). Attach Form 4797		4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5	
6	Farm income or (loss). Attach Schedule F		6	
7	Unemployment compensation		7	
8	Other income:			
a	Net operating loss	8a		
b	Gambling	8b		
c	Cancellation of debt	8c		
d	Foreign earned income exclusion from Form 2555	8d		
e	Income from Form 8853	8e		
f	Income from Form 8889	8f		
g	Alaska Permanent Fund dividends	8g		
h	Jury duty pay	8h		
i	Prizes and awards	8i		
j	Activity not engaged in for profit income	8j		
k	Stock options	8k		
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l		
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m		
n	Section 951(a) inclusion (see instructions)	8n		
o	Section 951A(a) inclusion (see instructions)	8o		
p	Section 461(l) excess business loss adjustment	8p		
q	Taxable distributions from an ABL account (see instructions)	8q		
r	Scholarship and fellowship grants not reported on Form W-2	8r		
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1c, or 1d	8s		



Tax Payments for Income Without Withholdings

- W-2 – withholdings
- 1099-MISC – withholdings
- Estimated payments?

- Tax payments/withholding must meet lesser of:
 - 90% of the tax to be shown on your current (2023) tax return
 - 100% of the tax shown on your previous year (2022) tax return (110% if adjusted gross income exceeds \$150,000)

- Estimated payments due quarterly
 - April 15, June 15, Sept 15, Jan 15

TAX CREDITS, DEDUCTIONS, & IRA ELIGIBILITY

What other tax related information might I want to know?

Comparing Credits vs Deductions:

Tax Credit

- A credit is subtracted from your tax liability
- You save 100% of the amount of your credit.
- Example: A \$1,000 credit will reduce your taxes by **\$1,000**

Tax Deduction

- A deduction is subtracted from your income; amounts you don't have to pay taxes on.
- If your tax rate is 15%, your tax savings will be only 15% of the amount of the deduction.
- Example: A \$1,000 deduction (in the 15% tax bracket) will reduce your taxes by only **\$150**

Examples of Education-Related Credits & Deductions:

- American Opportunity Credit
- Lifetime Learning Credit
- Student Loan Interest Deduction

*With most education related credits/deductions, must be connected back to use on Qualified Education Expense to be eligible to take (SLID does include room & board)

**No “Double Benefits” allowed when determining eligibility; Cannot claim a credit based on qualified education expenses paid with tax-free educational assistance

Recommended Resource: Publication 970 (IRS)



Department of the Treasury
Internal Revenue Service

Publication 970

Cat. No. 25221V

Tax Benefits for Education

For use in preparing

2022 Returns



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Individual Retirement Arrangement (IRA):

- Prior to tax year 2019, individuals could only contribute to an IRA if they had “earned income”- income reported on a W2
- With the passing of the SECURE Act in 2019, the definition of earned income was expanded to include fellowship/scholarship/stipend income

*Is there a resource I can use that can help me reflect on saving for the future or help me to learn more about investing?

Recommended Resource: Personal Finance @ Duke



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[MONEY MANAGEMENT SYSTEM TOPIC PAGE](#) →



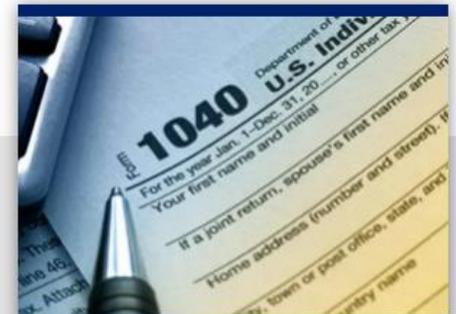
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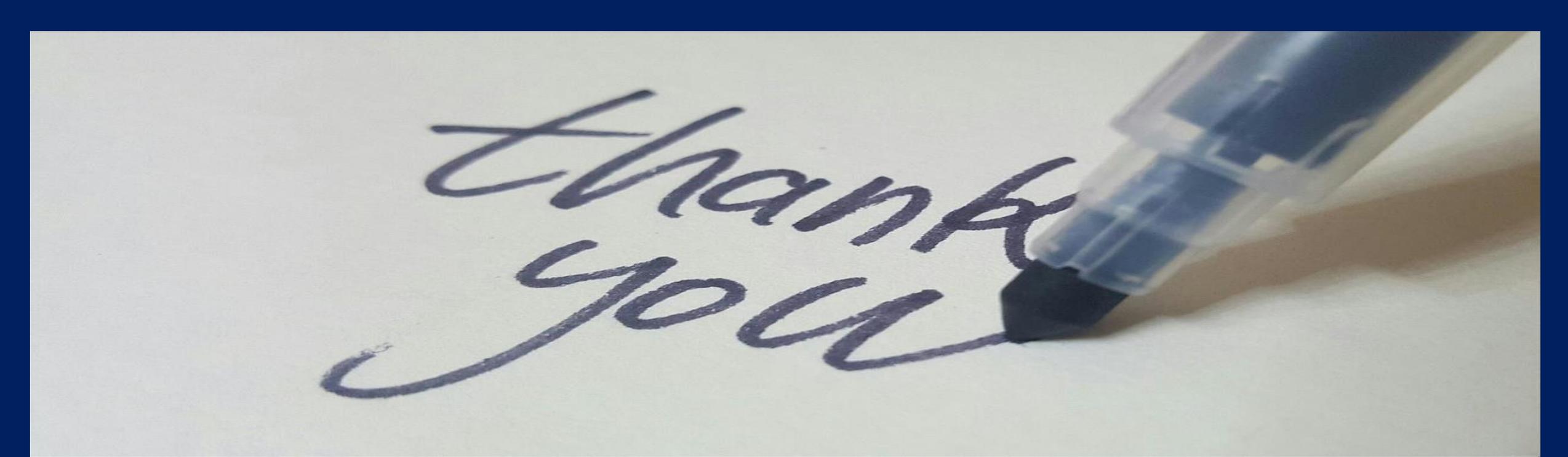
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NEXT STEPS

What should I do with all of this great (and maybe overwhelming) information?

Your Tax Preparation To-Dos:

- Identify Income/Funding Source(s)
- Determine Compensatory Pay vs Non-Compensatory Pay
- Identify Use of Income on Qualified Educational Expenses and Non-Qualified Expenses
- Set up tax withholdings through payroll, or make quarterly payments if required.
- Watch for Tax Forms & Other Reporting Documents mid/late January



Thank you

What questions do you have?

Email: personalfinance@duke.edu

Phone: 919-660-3630

Zoom: <https://duke.zoom.us/j/9196603630>