

UNDERSTANDING YOUR FINANCIAL PACKAGE



UNDERSTANDING YOUR FINANCIAL AID

Presenter: Lisa Wioskowski
Financial Aid Coordinator, TGS

▶ Topics

- ▶ Cost of Attendance
- ▶ Federal Loans
- ▶ Fellowships Payments (Stipends)
 - ▶ Non-compensatory
 - ▶ Compensatory
 - ▶ Teaching Asst.
 - ▶ Research Asst.
 - ▶ Graduate

Presenter: Irene Jasper
Director of Student Lending

▶ Topics

- ▶ Types of Income
- ▶ Taxable vs. Non-Taxable
- ▶ Qualified & Non-qualified Expenses
- ▶ Reporting Documents
- ▶ Resources

PH.D. FELLOWSHIPS

- ▶ The Graduate School (TGS) will post tuition, fees, and insurance awards directly to your bursar account around mid-September.
- ▶ TGS will not pay: flex, fines, or parking permits – this is the students responsibility.
- ▶ External fellowship awards should be forwarded to TGS Financial Aid Office to verify and determine award for the following examples:
 - ▶ Does the fellowship pay a stipend? If so, does Student receive payments?
 - ▶ Does the fellowship pay tuition or fees?

COST OF ATTENDANCE (COA) BUDGET

Fall 2014/Spring 2015

▶ Tuition/Fees/Insurance:

▶ \$48,878

▶ Living Portion:

- ▶ Room \$ 7,767
- ▶ Board \$ 4,563
- ▶ Transportation \$ 1,638
- ▶ Personal & Misc. \$ 3,411
- ▶ Total \$ 17,379
- ▶ Monthly \$1,931 for 9 months

FEDERAL LOAN PROGRAMS

(FAFSA MUST BE FILED EACH YEAR)

Unsubsidized Loan

- ▶ Maximum amount per academic year is \$20,500
- ▶ Interest rate is 6.21%
- ▶ Loan Fee is 1.073%
- ▶ Grace period – 6 months after graduation or drop less than part-time (6 units is considered part-time)

Grad Plus Loan

- ▶ Maximum amount per academic year is COA (deducting the unsubsidized loan if applicable)
- ▶ Interest rate is 7.21%
- ▶ Loan Fee is 4.292%
- ▶ Grace period is the same as the unsubsidized loan program.

FELLOWSHIP (STIPEND) PAYMENTS

STIPEND PAYMENTS ARE PROCESSED THROUGH PAYROLL NOT THROUGH BURSAR ACCOUNTS

Non-compensatory Stipends

- ▶ No service required
- ▶ Paid on the last business day of each month.

Compensatory

- ▶ Service required
 - ▶ Determined by the department, and the years in which it is required
 - ▶ Teaching Assistant
 - ▶ Research Assistant
 - ▶ Graduate Assistant

Paid on the 25th of each month.

SCHOLARSHIPS & FELLOWSHIP INCOME

AND THE TAX IMPLICATIONS

TYPES OF INCOME

- ▶ **Scholarships** - Tend to be for the purpose of general education expenses.
- ▶ **Fellowships** - Generally to aid in the pursuit of study or research.

Both considered non-compensatory, and may be taxable depending on expenses paid

- ▶ **Research Grants** - May be taxable
- ▶ **Research Assistant Compensation** – Generally taxable.
- ▶ **Teaching Assistant Compensation** – Generally taxable, BUT, may be exempt for Social Security tax.
- ▶ **Stipends** - A form of salary – generally taxable

STIPEND

NON-COMPENSATORY

(Unearned)

- ▶ A Duke student receives financial support to do research solely for his/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 summer internship program 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.

COMPENSATORY

(Earned)

- ▶ 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 himself .
- ▶ 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 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 INCOME TAXABLE OR NON-TAXABLE?

Depends on the type of expenses paid with the funds and whether you are
a degree candidate.

NON-DEGREE CANDIDATE

Fully taxable

DEGREE CANDIDATE

- ▶ Portion used to pay “Qualified Expenses” is not taxable – not included in gross income, and not required to be reported on an income tax return.
- ▶ Portion NOT used to pay “Qualified Expenses” is taxable – included in gross income, and required to be reported on an income tax return.

QUALIFIED EXPENSES

- ▶ Tuition and fees – required for enrollment
- ▶ Course-related expenses (fees, books, supplies, equipment) – must be required of all students in the course

NON-QUALIFIED EXPENSES


- ▶ Insurance
- ▶ Medical expenses (including student health fees)
- ▶ Room and board
- ▶ Transportation
- ▶ Recreation fee
- ▶ Parking permit
- ▶ Activity fee

REPORTING DOCUMENTS

Reporting Documents	Type of Income
W2	Wages – ie. Teaching Assistant, Work-Study, compensatory internships
1099-Misc	Scholarships, fellowships, non-compensatory internships & post-doctoral awards <u>with tax withholding</u>
Courtesy Letter	Scholarships, fellowships, non-compensatory internships & post-doctoral awards <u>without tax withholding</u>
1098T	Duke Administered financial aid posted directly to the Bursar Account (Does not include financial aid administered by third parties)
1042S	Earnings that fall within the scope of a tax treaty, scholarship, fellowships, non-compensatory internships & post-doctoral awards.

W2

		a Employee's social security number		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
		OMB No. 1545-0008					
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		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 **2012** Department of the Treasury—Internal Revenue Service
 Copy C—For EMPLOYEE'S RECORDS (See Notice to Employee on the back of Copy B.) Safe, accurate FAST! Use 

W2

▶ Issued by Payroll Service 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.

1099 - MISC

		<input type="checkbox"/> CORRECTED (if checked)			
PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.		1 Rents		OMB No. 1545-0115 2013 Form 1099-MISC	Miscellaneous Income
		\$			
		2 Royalties			
		\$			
		3 Other income		4 Federal income tax withheld	Copy B For Recipient
		\$		\$	
PAYER'S federal identification number	RECIPIENT'S identification number	5 Fishing boat proceeds		6 Medical and health care payments	
		\$		\$	
RECIPIENT'S name		7 Nonemployee compensation		8 Substitute payments in lieu of dividends or interest	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.)		\$		\$	
City or town, province or state, country, and ZIP or foreign postal code		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds	
		\$		\$	
Account number (see instructions)		11 Foreign tax paid		12 Foreign country or U.S. possession	
		\$		\$	
		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

1099 - MISC

- ▶ 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** are 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** - It is 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.

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.

COURTESY LETTER

The courtesy letter is 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.

1098 T

CORRECTED

FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2013 Form 1098-T
		2 Amounts billed for qualified tuition and related expenses \$	
FILER'S federal identification no.	STUDENT'S social security number	3 If this box is checked, your educational institution has changed its reporting method for 2013 <input type="checkbox"/>	
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$
Street address (including apt. no.)		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 2014 ▶ <input type="checkbox"/>
City or town, province or state, country, and ZIP or foreign postal code			
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 \$

Tuition Statement

Copy B For Student

This is important tax information and is being furnished to the Internal Revenue Service.

Form **1098-T**

(keep for your records)

www.irs.gov/form1098t

Department of the Treasury - Internal Revenue Service

1098T


- ▶ **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 is issued by the Bursar's Office to students who are US citizens, permanent residents, or residents for tax purposes, and only to those students who had tuition & qualified fees billed during the calendar year that exceeds grants & scholarships posted during the same period.

RESOURCES

- ▶ Tax Seminar for Graduate Students with Sheila Ahler, CPA is full.
- ▶ Once the Tax Seminar recording is available, we will send an email with a link provided.

RESOURCES

WWW.IRS.GOV/PUB/IRS-PDF/P970.PDF

 Department of the Treasury
Internal Revenue Service

Publication 970
Oct. No. 25221V

Tax Benefits for Education

For use in preparing
2012 Returns



Get forms and other information
faster and easier by:
Internet IRS.gov

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RESOURCES

WWW.PERSONALFINANCE.DUKE.EDU

The screenshot displays the 'Personal Finance @ Duke' website interface. At the top, the logo is on the left, and navigation links for 'About Us', 'Contact Us', and 'Glossary of Terms' are on the right. Below the logo is a horizontal menu with options: 'Manage Your Finances', 'Make Today's Decisions', 'Prepare for Your Future', 'Save Money At Duke', and 'Request a Workshop'. The main content area is titled 'Income Taxes' and includes a sidebar with a 'MANAGE YOUR FINANCES' section containing links for Overview, Budget, Credit & Debit Cards, Credit Score, Identity Theft, and Income Taxes. The main text defines income taxes and provides a quote from Albert Einstein. A 'TIPS' section on the right discusses student loan interest payment deductions. At the bottom right, there is a 'RESOURCES' section with links to Turbo Tax Tools, IRS Withholding, and AOP Payroll.

Personal Finance @ Duke

About Us | Contact Us | Glossary of Terms

Manage Your Finances | Make Today's Decisions | Prepare for Your Future | Save Money At Duke | Request a Workshop

Home > Manage Your Finances > Income Taxes

Income Taxes

A tax is a non-voluntary payment to the federal, state, or local government to support its operations. Taxes are applicable to most individuals and take a variety of forms, some of the most common being taxes on income, purchases, property, capital gains, inheritance, and gifts. But governments also offer tax deductions and credits, which individuals can take advantage of to offset their tax burdens substantially.

The information provided on this website is not intended to be used in preparing your tax return. Its purpose is to provide you with an overview of how your income tax is determined, and to help you find answers to the questions most commonly asked by students.

"The hardest thing in the world to understand is the income tax."
-Albert Einstein

- [Do I need to file?](#)
- [What taxes are associated with earnings?](#)
- [Scholarships and Fellowships](#)
- [Tax deductions](#)
- [Tax credits versus tax deductions](#)

TIPS

Student loan interest payment deductions.

If your modified gross income is under \$75,000 (\$150,000 when filing a joint return), you are eligible to deduct up to \$2,500 of student loan interest payments.

[See All Tips](#)

RESOURCES

Tools

- [Turbo Tax Tools](#)
- [IRS Withholding](#)
- [AOP Payroll](#)