

# Overview of Taxation for Students

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## Does the IRS owe you money?

- In this [YouTube video](#) the IRS shows how you can see if you are due any of the \$153 million worth of refund checks that have come back undelivered. Watch this and other videos on the IRS's [YouTube Channel](#).
- Many of the undelivered refunds are for foreign nationals who never try to or simply do not know how to obtain the refund if not automatically delivered.
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- IF
- a tax return was filed AND
- the tax return calculated a refund AND
- the refund was never received
- 
- THEN, the person should check to see if he or she is eligible to claim one of the undelivered tax refund checks. Either go to the IRS website and select "Where's My Refund" or watch the YouTube video (link above).



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# Disclaimer

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# Tax Year

- Tax Year  
January 1, 2011 - December 31, 2011
- Includes all income paid to you by Northwestern during that period regardless of when the time was worked (for example, work in December 2010 that was paid in January 2011 counts as 2011 income).



# Common Tax Forms Needed for Tax Filing

- W-2 (issued by Payroll for employment wages)
- 1042-S (issued by Payroll for nonresident scholarships/fellowships and tax treaty reporting)
- 1098-T (issued by Student Accounts)
- 1099- (many different versions issued by many agencies-most are taxable)
- 1099-G (issued by Illinois Department of Revenue for 2010 Illinois tax returns)



# Who must file- federal return

- If you are single and under 65 and your gross income was over \$9,500, you must file a tax return.
- If you are married and your gross income was over \$19,000, you must file a tax return.
- If your gross income was less than the numbers listed above you might still want to file a return if you paid federal or state taxes since you can be refunded your taxes.



# Forms to File

- Federal 1040 or 1040EZ (non-residents 1040NR or 1040NR-EZ)
- EZ version is easier (see IRS instructions for complete 1040EZ checklist).
  - Your filing status is single or married filing jointly.
  - You do not claim any dependents.
  - You do not claim any adjustments to income.
  - Your taxable income (line 6 of Form 1040EZ) is less than \$100,000.
- Illinois 1040



# Form W-2

- Mailed by end of January for all employment income.
- This includes temporary employment, research assistantship, graduate assistantship, teaching assistantship, additional pay, and other miscellaneous employment payments.
- It does not include any scholarship/fellowship income, but it will report any taxes you asked to be withheld from these payments.





# Form W-2

- W-2 were mailed to the current address on file with Payroll. If you are currently being paid, you can access the W-2 online using Self-Service.  
<http://nuhr.northwestern.edu>
- If you are not currently being paid and need a replacement, you can request a duplicate. Please email [payroll@northwestern.edu](mailto:payroll@northwestern.edu).
- CAESAR does not update your address with Payroll and you must update with us before requesting a duplicate W-2 to be mailed to an address other than Payroll has on file.



# Scholarship/Fellowship

- Scholarship/fellowship “stipend” payments paid by Payroll are not reported on a tax form unless you are a non-resident for tax purposes.
- The Payroll Office emailed scholarship/fellowship recipients on January 25, 2012 alerting them of their 2011 totals. If you did not receive your email, you can logon to the Self-Service system and your December pay advice will show your 2011 total.
- If you requested taxes to come out of your scholarship/fellowship by filling out a W4 and indicating an exact amount to be deducted, those taxes would be on the W-2, but the scholarship/fellowship income would not be reflected on the W-2.



# Scholarship/Fellowship cont.

## IRS Publication 970 – Tax Benefit for Education

- A portion of your scholarship/fellowship income may be excluded from taxation if the money was spent on educational expenses such as tuition, mandatory books, and mandatory fees (assistantships do not get these credits).
- You must save receipts for IRS audits, but do not submit them with your tax return.



# Scholarship/Fellowship cont.

- It is up to you to claim your scholarship income on your tax return by adding it to your W-2 income.
- You add the money to the “Wages, salaries, and tips” line on the federal tax return and enter SCH on the dotted line next to the amount.
- Only include the amount you used for expenses other than tuition and course-related expenses (as outlined in IRS Publication 970).



# Taxable

- Scholarships and fellowships that are not tax free and are used for room, board, and living expenses (non-qualified scholarship). Scholarships that cover only tuition, books, and fees are not reported on the tax return (qualified scholarship). If you use part of a reportable scholarship to pay for tuition, books, or fees, you don't have to report these expenses on your tax return.
- Employment Wages
- 2010 state income tax refunds
- Interest income (saving or other bank accounts)
- Dividend Interest (stock market investments)
- Capital Gain
- Gambling Winnings
- Other income

See IRS website for details



# Deductions

- Standard deduction \$5,800 single \$11,600 married filing jointly.
- Dependents (may claim a deduction for all qualified deductions).
- Itemized deduction (if higher). Complete Section A.
  - Please note- many times only those that own homes will have enough other deductions to itemize.
- State and local taxes you paid that are listed on your W-2 (for 2011).
- Charitable contributions to tax exempt organizations – you must have receipts (if you itemize).



# American Opportunity Tax Credit

- This is a change to the Hope and Lifetime learning credits.
- The maximum amount of the credit is increased to \$2,500.00.
- The credit can now be claimed for the first 4 years, not 2, of postsecondary education.
- The modified adjusted gross income limitations are increased.
- Qualified expenses include course materials.
- Generally, 40% of the Hope Credit is now refundable (up to \$1,000).

See IRS website for details and eligibility requirements.



# State Taxes

- You must file a state tax return in Illinois unless you live in a neighboring state that has a reciprocal agreement with Illinois (Wisconsin, Michigan, and Kentucky) even if Illinois is not your permanent home.
- If you earned income in another state during 2011, you might also need to file taxes in that state as well. Refer to each state's Department of Revenue website for details.





# Tax Deadlines

- Federal tax returns must be postmarked no later than April 17, 2012.
- State income tax returns must also be postmarked by April 17 2012, but anyone can have an automatic 6 month extension on filing (as long as you do not owe taxes).



# Important Notes

- When you file your tax return, save a signed copy.
- If you e-file, print a copy for your files.
- Keep these copies and any backup documentation (such as receipts for books, fees, and supplies) in a secure location for 7 years.



# Resources

- Federal Tax Publications available on the IRS website [www.irs.gov](http://www.irs.gov)
- Publication 970- Tax Benefit for Education
- Publication 17- Your Federal Income Tax
  
- Free federal electronic filing through the IRS website
- Free state electronic filing through the Illinois Department of Revenue website
- Turbo Tax – free versions available
- H & R Block- free versions available
- Jackson Hewitt