

Revised

February 2009

Recipients of Graduate Fellowship Awards:

The University is not required to report to the Federal Government or to withhold taxes on fellowship awards to U.S. citizens and resident aliens, even though a portion of the award may be taxable income to the recipient. The exclusion from taxable income of amounts received as fellowships is limited to amounts used for tuition and fees required for enrollment or attendance, as well as for books, supplies, and equipment required for courses of instruction. Amounts used for expenses such as room and board are not excluded from taxable income and you are responsible for reporting to the Internal Revenue Service any taxable amount in excess of your actual tuition and course related fees, books and equipment.

If you determine that you may have taxable income from your fellowship, you can request the Payroll Office to withhold estimated federal and state income taxes from your stipend payments by filling out a 'PAY Additional Tax Withheld' form. You are not required to do this. However, if you do not have estimated taxes withheld, you may end up owing taxes when you submit your 1040 tax forms at the end of the calendar year.

To help you estimate the amount of taxes to withhold, the following information can be used. These calculations are based on 2009 federal and state income tax percentage-method tables are provided as an **estimate** only. They should not be taken to be actual taxes that will be owed at the end of the year. Other factors that should be considered include other earnings you may have and whether or not you will be included as an exemption on someone else's income tax return.

If you have additional questions on this, please call the Office of Human Resources at 831-8677.

To calculate the **taxable** portion of your stipend:

Amount of stipend paid in current calendar year	\$ _____
Less: Cost of required fees, books, and equipment	\$ _____*
Potential Total Taxable Income	\$ _____

Divide Potential Taxable Income by number of pay periods (number of months times 2 pay periods) to derive per pay amount \$ _____ (A).

*Tuition costs are not used here if the award included a 100% tuition reduction. If, however, the fellowship recipient paid any tuition, the amount actually paid can be used to reduce the amount of taxable income in this section.

Federal Income Taxes:

Determine marital status and number of exemptions you are entitled to. If you can be included on another person's tax reporting as a dependent, you should not have any exemptions.

Compute the per pay federal tax as follows:

1. Per pay taxable income from (A) above \$ _____
2. Multiply number of exemptions you claim by \$152.08\$ _____
3. Federal taxable income (subtract 2. from 1.) \$ _____
4. Federal tax per pay (from one of tables below*) \$ _____

*Compute tax on taxable income according to one of the tables listed below.

SINGLE – FEDERAL TAX TABLE – 2009

(including head of household)

If the amount of wages is	Amount of tax is:
Not over \$299	-0-
\$299 to \$433	10% of excess over \$299
\$433 to \$1,508	\$ 13.40 plus 15% of excess over \$433
\$1,508 to \$2,772	\$174.65 plus 25% of excess over \$1,508
\$2,772 to \$7,233	\$490.65 plus 28% of excess over \$2,772
\$7,233 to 15,625	\$1,739.73 plus 33% of excess over \$7,233
\$15,625 & over	\$4,509.09 plus 35% of excess over \$15,625

MARRIED – FEDERAL TAX TABLE - 2009

If the amount of wages is	Amount of tax is:
Not over \$656	-0-
\$656 to \$1,019	10% of excess over \$656
\$1,019 to \$3,152	\$ 36.30 plus 15% of excess over \$1,019
\$3,152 to \$4,922	\$356.25 plus 25% of excess over \$3,152
\$4,922 to \$9,025	\$798.75 plus 28% of excess over \$4,922
\$9,025 to 15,863	\$1,947.59 plus 33% of excess over \$9,025
\$15,863 & over	\$4,204.13 plus 35 % of excess over \$15,863

With this calculation you will have determined the amount of taxes that would have been withheld by the payroll system PER PAY if the taxable portion of the stipend had been processed as a taxable amount. That is the amount you can use as an estimate in requesting to have additional federal taxes withheld.

State of Delaware Income Taxes:

Determine your state standard deduction based on your marital status:

Single \$135.42 OR Married \$270.83

Compute the per pay state tax as follows:

1. Per pay taxable income from (A) on page 2 \$_____
2. Subtract standard deduction (\$135.42 or \$270.83) \$_____
3. State taxable income (subtract 2. from 1.) \$_____
4. State tax (from table below*) \$_____
5. Multiply number of exemptions by \$4.58 for tax credit \$(_____)
6. Subtract 5. from 4. to determine taxes per pay period \$_____

*Compute tax on taxable income according to the table listed below.

STATE OF DELAWARE TAX TABLE – 2009

Taxable Wages	Tax Rate	In Excess Of
\$ 0 to \$83.33	-0-	\$ -0-
\$83.33 to \$208.33	2.20%	\$ 83.33
\$208.33 to \$416.66	\$ 2.75 + 3.90%	\$208.33
\$416.66 to \$833.33	\$10.88 + 4.80%	\$416.66
\$833.33 to 1041.66	\$30.88 + 5.20%	\$ 833.33
\$1041.66 to \$2500.00	\$41.71 + 5.55%	\$1041.66
\$2500 & over	\$122.65 + 5.95%	\$2500.00

With this calculation you will have determined the amount of state taxes that would have been withheld

by the payroll system PER PAY if the taxable portion of the stipend had been processed as a taxable amount. This is the amount you can use as an estimate in requesting to have additional federal taxes withheld.

EXAMPLE:

J. Smith was awarded a fellowship for the 2008-2009 academic year that included a stipend of \$25,000 to be paid from 9/1/08 through 5/31/09 and 100% tuition reduction. In addition to tuition, Smith's expenses each semester to attend school were a mandatory health fee of \$233, a mandatory student center fee of \$110, and about \$1,000 for books and required equipment.

Smith's taxable income for **2009** from this fellowship would be:

Amount of stipend paid from 1/1/09 - 5/31/09 (\$25,000./9 mos. X 5 mos.)	\$13,888.90
Less: Books & Fees for spring semester	<u>(1,343.00)</u>
Taxable Income 2009	\$ <u>12,545.90</u>

Smith did not use the stipend amount to pay tuition, so the tuition cannot be used to reduce the amount of taxable income.

Divide Potential Taxable Income \$12,545.90 by 10 pay periods (5 mos. X 2 pays per month) to derive per pay amount \$ 1,254.59 (A) for 1/1/09 to 5/31/09.

Smith is single and will not be reported as a dependent on someone else's income tax return, so can claim one exemption for federal and state tax purposes. Smith's tax calculations would be as follows:

Federal Taxes:

Per pay taxable income	1,254.59
One exemption reduction	<u>(152.08)</u>
Calculate federal tax on	<u>\$1,102.51</u>

According to tax table for an individual with a marital status of single, tax on \$1,102.51 is \$13.40 plus 15% of the excess over \$433.00.

$$(\$1,102.51 - \$433.00) \times 15\% \text{ or } \$669.51 \times 15\% + \$13.40$$

$$(\$100.43 + \$13.40) = \mathbf{\$113.83}$$

EXAMPLE (continued)

State Taxes:

Per pay taxable income	\$1,254.59
Less: Single standard deduct	<u>(135.42)</u>
Taxable State Income	\$1,119.17
State Tax (from table)	\$ 46.01
$\$41.71 + [5.55\% \times (\$1,119.17 - 1,041.66)]$	
$\$41.71 + 5.55\% \times \77.51	
$\$41.71 + 4.30$	
Less: one exemption	<u>(4.58)</u>
State income tax for one pay	<u>\$41.43</u>

If Smith wanted to have state and federal taxes withheld for the taxable portion of the fellowship, Smith would fill out a '**Pay Additional Tax Withheld**' webform with the Office of Human Resources to have \$113.83 for federal and \$41.43 for state taxes withheld. Thus the net stipend amount Smith would actually receive each pay period would be \$1,099.33 ($\$1,254.59 - \$113.83 - \41.43).