

February 2018

Recipients of Graduate Fellowship Awards:

The University of Delaware 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 tax filing time.

To help you estimate the amount of taxes to withhold, the following information can be used. These calculations are based on 2018 federal and state income tax percentage-method tables and 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 Payroll office 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 \$172.90 \$ _____
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 – 2018

(including head of household)

If the amount of wages (after subtracting withholding allowances) is:

The amount of income tax to withhold is:

Not over \$154

\$0

Over-	But not over-		of excess over-
\$154	-\$551..	\$0.00 plus 10%	-\$154
\$551	-\$1,767..	\$39.70 plus 12%	-\$551
\$1,767	-\$3,592..	\$185.62 plus 22%	-\$1,767
\$3,592	-\$6,717..	\$587.12 plus 24%	-\$3,592
\$6,717	-\$8,488..	\$1,337.12 plus 32%	-\$6,717
\$8,488	-\$20,988..	\$1,903.84 plus 35%	-\$8,488
\$20,988.....		\$6,278.84 plus 37%	-\$20,988

MARRIED – FEDERAL TAX TABLE - 2018

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$481		\$0	
Over-	But not over-		of excess over-
\$481	-\$1,275	\$0.00 plus 10%	-\$481
\$1,275	-\$3,706	\$79.40 plus 12%	-\$1,275
\$3,706	-\$7,356	\$371.12 plus 22%	-\$3,706
\$7,356	-\$13,606	\$1,174.12 plus 24%	-\$7,356
\$13,606	-\$17,148	\$2,674.12 plus 32%	-\$13,606
\$17,148	-\$25,481	\$3,807.56 plus 35%	-\$17,148
\$25,481.....		\$6,724.11 plus 37%	-\$25,481

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 – 2018

Taxable Income Between	Tax Rate	In Excess Of
\$ 0 to \$83.33	-0-	\$ -0-
\$83.33 to \$208.33	2.20%	\$ 83.33
\$208.33 to \$416.67	\$ 2.75 + 3.90%	\$208.33
\$416.67 to \$833.33	\$10.88+ 4.80%	\$416.67
\$833.33 to \$1,041.67	\$30.88 + 5.20%	\$833.33
\$1,041.67 to \$2,500.00	\$41.71 + 5.55%	\$1,041.67
\$2,500.00 & over	\$122.65 + 6.60%	\$2,500.00

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 2017 - 2018 academic year that included a stipend of \$28,000 to be paid from 9/1/17 through 5/31/18 and 100% tuition reduction. In addition to tuition, Smith's expenses each semester to attend school were a mandatory health fee of \$227, a mandatory student center fee of \$119, a mandatory medical insurance fee of \$155, a mandatory graduate recreation fee of \$50, and about \$1,000 for books and required equipment.

Smith's taxable income for **2018** from this fellowship would be:

Amount of stipend paid from 1/1/18 - 5/31/18 (\$28,000./9 mos. X 5 mos.)	\$15,555.55
Less: Books & Fees for spring semester	<u>(1,551.00)</u>
Taxable Income 2018	\$ <u>14,004.55</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 \$14,004.55 by 10 pay periods (5 mos. X 2 pays per month) to derive per pay amount \$ 1,400.46 (A) for 1/1/18 to 5/31/18.

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	1,400.46
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One exemption reduction (172.90)

Calculate federal tax on \$1,227.56

According to tax table for an individual with a marital status of single, tax on \$1,227.56 is \$39.70 plus 12% of the excess over \$551.00.

$$(\$1,227.56 - \$551.00) \times 12\% \text{ or } \$676.56 \times 12\% + \$39.70$$
$$(\$81.19 + \$39.70) = \mathbf{\$120.89}$$

State Taxes:

Per pay taxable income \$1,400.46

Less: Single standard deduct (135.42)

Taxable State Income \$1,265.04

State Tax (from table) \$ 54.11

$$\$41.71 + [5.55\% \times (\$1,265.04 - 1,041.67)]$$

$$\$41.71 + 5.55\% \times \$223.37$$

$$\$41.71 + 12.40$$

Less: one exemption (4.58)

State income tax for one pay **\$49.53**

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 Payroll to have \$120.89 for federal and \$49.53 for state taxes withheld. Thus the net stipend amount Smith would actually receive each pay period would be \$1,230.04 (\$1,400.46 - \$120.89 - \$49.53).