

# **Postdoctoral Fellow Tax Information Session March 15, 2022**

**Caroline Burnicki**

**Debbie Toms**

**University of Rochester Payroll & Tax Compliance Office**



# Administrative Matters

- This document is produced for informational purposes only, and should not be considered tax, financial or legal advice. Please consult your own tax or financial advisor for specific questions regarding your tax situation.
- Please keep microphones muted.
- Please feel free to unmute your mic at the end during the Q&A portion to ask your questions. Please refrain from using the chat feature during the presentation.
- Today's presentation materials will be available electronically.



# General Rules Regarding Tax Reporting of Postdoctoral Fellowships



# Postdoctoral Fellows – Tax Reporting

- Payments received by postdoctoral fellows are considered taxable income, but not wages, under the terms of certain awards and grants (i.e., NIH/NRSA training grants). Individuals receiving payments under the terms of these awards and grants do not have an employer-employee relationship with the University.
- The IRS provides that amounts received as fellowships are not required to be reported as wages on a W-2 or as income on a Form 1099-MISC.
- Because these fellowships are not considered wages, they are not subject to income tax withholding when paid.



# Postdoctoral Fellows – Tax Reporting

- Eligible to make after-tax contributions for postdoctoral health benefits such as medical, dental and vision. University paid contributions for medical and dental treated as imputed income.
- No taxes withheld from payments. Subject to federal and state income taxes on stipend and University paid medical and dental benefits.
- Generally required to make quarterly estimated tax payments to the IRS and NYS Tax Dept.



# Postdoctoral Fellows – Tax Reporting

- You should have received a letter in February 2022 which provides your total fellowships payments and amount the University contributed for benefits for the 2021 calendar year.
  - Letter is for informational purposes and is not required to be filed with the IRS or NYS Dept of Tax when you file your 2021 tax return.
  - Letter should be saved and kept as support for taxable amount of fellowship/ benefits that you report on your 2021 tax return.



# Filing 2021 Income Tax Returns



# Filing 2021 Income Tax Returns

## Example -

Scott was awarded a Postdoctoral fellowship of \$52,000 for the 2021-22 academic year (July 1, 2021 – June 30, 2022). In addition the University will contribute \$8,000 for health and dental benefits. How much of the \$60,000 is taxable for 2021?

### Calendar Year 2021

Scott received \$26,000 in fellowship payments in calendar year 2021 and \$4,000 in University benefits.

\$30,000 - should be reported as taxable income from his fellowship on Scott's 2021 tax return.

\*\* To support this amount on his 2021 return, Scott should keep his fellowship letter from the University (received in February 2022).





# Filing 2021 Income Tax Returns

## Complete applicable wage/income lines on tax returns

- On Form 1040, enter “SCH = \$(XX)” in the space to the left of the “Wages, salaries, tips” line of your tax return. The amount reported as “SCH” is the amount of your fellowship that you determined is taxable (see previous slide).
- “Wages, salaries, tips” line of your tax return should include:
  - Amounts from Box 1 of your W-2s plus
  - Taxable fellowship amounts received



# Filing 2021 Income Tax Returns

## Complete your federal/state income tax returns

### Tips if using commercial software programs (such as TurboTax or TaxSlayer)

- Follow the instructions provided by the software provider to report your fellowship.
- Some commercial software programs will force the federal self-employment tax to calculate if you enter an amount as wages but this amount is not reflected on a W-2. You are not subject to self-employment tax on your fellowship – so make sure this does not occur.
- Most commercial software program have a help or chat feature.
- TurboTax: The correct way to enter the income is to use the education expense interview on the deductions and credits page. After the 1098-T questions, there should be additional questions about scholarships and fellowships. Your fellowship is not subject to FICA taxes (social security/Medicare tax) or self-employment tax, but it is subject to regular income tax.



# Filing 2021 Income Tax Returns

## Determine applicable deductions (standard deduction or itemized)

- IRS standard deduction for 2021 (generally increases each year)  
Single (cannot be claimed as dependent on another person's return) or  
Married filing separately - \$12,550  
Married filing jointly or Qualifying widower - \$25,100  
Head of household - \$18,800
- NY standard deduction for 2021 (same as 2020)  
Single (cannot be claimed as dependent on another person's return) or  
Married filing separately - \$8,000  
Married filing jointly or Qualifying widower - \$16,050  
Head of household - \$11,200



# **Filing 2021 Income Tax Returns**

**EXAMPLE AND COMPLETED TAX  
FORMS (pdf)**



# Calculate Your 2022 Estimated Tax Payments



# Calculate Your 2022 Estimated Tax Payments

- You **may** be required to make estimated tax payments with the IRS and/or the NYS Dept. of Tax (if you are a NY state resident).
- Estimated tax payments are due quarterly. You are always allowed to “pre-pay” your entire year tax estimate (100% of estimated tax) in your first quarterly payment. Otherwise, equal installments.



# Calculate Your 2022 Estimated Tax Payments

- You are subject to a penalty for not making 2022 quarterly estimated tax payments to the IRS/NY state if:
  1. You owe \$1,000 or more in tax (\$300 or more for NY) when you file your 2022 return in 2023 (after subtracting withholding that you had and overpayments from the prior year), **AND**
  2. Your withholding/estimated payments are less than the smaller of:
    - a. 90% of the tax on your 2022 return, or
    - b. 100% of the tax on your 2021 return.
- **Safe Harbor – For 2022 estimated tax payments, pay the tax on your 2021 return (Form 1040) equally over the 4 quarterly payment dates (or all up front).**



# Calculate Your 2022 Estimated Tax Payments

## ■ IRS and NYS Tax Resources for Calculating Quarterly Estimated Tax Payments

Refer to IRS and NYS Forms listed below (which include explanation of how to estimate quarterly amounts owed) and IRS Publication 505 (Tax Withholding and Estimated Tax), available at:

<https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes>

- Federal – IRS Form 1040-ES
- New York – NY Form IT-2105

The federal standard deduction generally increases every year. For 2022:

Single or Married filing separately - \$12,950

Married filing jointly or Qualifying widower - \$25,900

Head of household - \$19,400

The NY standard deductions for 2022 are the same as 2021 (and 2020).





# Calculate Your 2022 Estimated Tax Payments

## ■ Example

Anne has a Postdoctoral fellowship. For 2022, Anne estimates her gross income to be \$59,600 (\$51,500 fellowship and \$8,100 University provided benefits). For 2022 she has no W-2 wages. Anne files single, and cannot be claimed as a dependent on someone else's return. Anne's 2021 federal Form 1040 reported tax (Line 15) of \$5,425. Anne's 2021 state Form IT-201 reported tax (Line 61) of \$2,630.

### **Step 1 - Calculate Anne's 2022 taxable income for federal estimated tax purposes:**

Fellowship payments and benefits received in 2022 - \$59,600

Taxable income for 2022: \$59,600 - \$12,950 standard deduction = \$46,650



# Calculate Your 2022 Estimated Tax Payments

## Step 2 - Calculate 2022 estimated tax on federal taxable income of \$46,650

From Form 1040-ES page 7:

<b>Schedule X—Use if your 2022 filing status is Single</b>					
<b>If line 3 is:</b>		<b>The tax is:</b>			
<i>Over—</i>	<i>But not over—</i>				<i>of the amount over—</i>
\$0	\$10,275	-----	+	10%	\$0
10,275	41,775	\$1,027.50	+	12%	10,275
→ 41,775	89,075	4,807.50	+	22%	41,775
89,075	170,050	15,213.50	+	24%	89,075
170,050	215,950	34,647.50	+	32%	170,050
215,950	539,900	49,335.50	+	35%	215,950
539,900	-----	162,718.00	+	37%	539,900



# Calculate Your 2022 Estimated Tax Payments

## Step 2, cont'd - Calculate 2022 estimated tax on federal taxable income of \$46,650

From Form 1040-ES, Schedule X (single):

\$4,807.50 +

$(\$46,650 - \$41,775) \times 22\%$  which equals  $\$4,875 \times 22\% = \$1,072.50$

So,  $\$4,807.50 + \$1,072.50 = \$5,880$ . Anne's estimated federal income tax on her 2022 fellowship is \$5,880.



# Calculate Your 2022 Estimated Tax Payments

## Step 2, cont'd - Calculate 2022 estimated tax on federal taxable income of \$46,650

If Anne pays the \$5,880 when she files her 2022 income tax return (in 2023), she could be subject to an estimated tax penalty for not paying her 2022 federal income taxes on a timely basis.

To avoid estimated tax penalty, she must pay in the lesser of:

90% of 2022 estimated tax (\$5,880) = \$5,292

100% of 2021 tax = \$5,425

So, Anne must pay in \$5,292 at a minimum in 2022 as estimated tax payments (\$5,880 if she wants to avoid paying federal income tax again when she files her 2022 return).



# Calculate Your 2022 Estimated Tax Payments

## ESTIMATED TAX DUE DATES FOR 2022:

Quarter 1 – April 18, 2022

Quarter 2 – June 15, 2022

Quarter 3 – September 15, 2022

Quarter 4 – January 17, 2023

Anne decides she is going to pay in \$5,880 for her estimated 2022 federal income taxes. She pays \$1,470 each quarter by the due dates above.



# Calculate Your 2022 Estimated Tax Payments

## Step 3 - Calculate Anne's 2022 taxable income for New York State estimated tax purposes

Fellowship payments and benefits received in 2022 - \$59,600

Taxable income for 2022: \$59,600 - \$8,000 standard deduction = \$51,600



# Calculate Your 2022 Estimated Tax Payments

## Step 3, cont'd -- Calculate 2022 estimated tax on New York State taxable income of \$51,600

From Form IT-2105 page 10:

Single and married filing separately					
If line 5 is:		The tax is:			
over	but not over				
\$ 0	\$8,500	4% of line 5			
8,500	11,700	\$ 340 plus	4.5% of the excess over	\$8,500	
11,700	13,900	484 plus	5.25% " " " "	11,700	
→ 13,900	80,650	600 plus	5.85% " " " "	13,900	
80,650	215,400	4,504 plus	6.25% " " " "	80,650	
215,400	1,077,550	12,926 plus	6.85% " " " "	215,400	
1,077,550	5,000,000	71,984 plus	9.65% " " " "	1,077,550	
5,000,000	25,000,000	450,500 plus	10.3% " " " "	5,000,000	
25,000,000	.....	2,510,500 plus	10.9% " " " "	25,000,000	

# Calculate Your 2022 Estimated Tax Payments

## Step 3, cont'd - Calculate 2022 estimated tax on New York State taxable income of \$51,600

From Form IT-2105 page 10:

Single and married filing separately chart:

\$600 +

$(\$51,600 - \$13,900) \times 5.85\%$  which equals  $\$37,700 \times 5.85\% = \$2,205.45$

So,  $\$600 + \$2,205.45 = \$2,805.45$ . Anne's estimated New York State income tax on her 2022 fellowship is \$2,805.45.





# Calculate Your 2022 Estimated Tax Payments

## Step 3, cont'd - Calculate 2022 estimated tax on New York State taxable income of \$51,600

If Anne pays the \$2,805 when she files her 2022 income tax return (in 2023), she could be subject to an estimated tax penalty for not paying her New York State income taxes on a timely basis.

To avoid estimated tax penalty, must pay the lesser of:

90% of 2022 estimated tax (\$2,805) = \$2,525

100% of 2021 tax = \$2,630

So, Anne must pay in \$2,525 at minimum in 2022 as estimated tax payments (\$2,805 if she wants to avoid paying New York State income tax again when she files her 2022 return).



# Calculate Your 2022 Estimated Tax Payments

## ESTIMATED TAX DUE DATES FOR 2022

Quarter 1 – April 18, 2022

Quarter 2 – June 15, 2022

Quarter 3 – September 15, 2022

Quarter 4 – January 17, 2023

Anne decides she is going to pay in \$2,805 for her estimated 2022 New York State income taxes. She pays \$701.25 each quarter by the due dates above.



# Calculate Your 2022 Estimated Tax Payments

## ■ How to make **IRS** estimated quarterly tax payments

1. Mail your payment (check or money order) with payment voucher (IRS Form 1040-ES, Vouchers 1-4)
2. Pay online at [www.irs.gov](https://www.irs.gov) website or using IRS2Go App –
  - a) Through IRS Direct Pay – pay directly from your bank account
  - b) Pay with credit card – through processor (requires fee)

## ■ How to make **NYS** estimated quarterly tax payments

1. Mail your payment (check or money order) with payment voucher (NY Form IT-2105, Voucher)
2. Pay online at [www.tax.ny.gov](https://www.tax.ny.gov) website (need to create Online Services account)
  - a) Pay directly from your bank account
  - b) Pay with credit card – through processor (requires fee)



# Resources

- **Postdocs page on University of Rochester Graduate Education webpage**  
(<https://www.rochester.edu/graduate-education/postdoctoral-appointees/>)
  - **[Tax Treatment of UR Postdocs](#)**
- **IRS Publication 970 – Tax Benefits for Education:**  
<https://www.irs.gov/pub/irs-pdf/p970.pdf>
- **IRS Publication 505 – Tax Withholding and Estimated Tax:**  
<https://www.irs.gov/pub/irs-pdf/p505.pdf>
- **IRS Form 1040-ES (Quarterly Tax Payments):**  
<https://www.irs.gov/pub/irs-pdf/f1040es.pdf>
- **NYS Form IT-2105 (Quarterly Tax Payments) and Instructions:**  
[https://www.tax.ny.gov/pdf/current\\_forms/it/it2105i.pdf](https://www.tax.ny.gov/pdf/current_forms/it/it2105i.pdf)



# Questions?

## University of Rochester Payroll & Tax Compliance Office

Phone: (585) 275-2040 (5-2040 from a University phone)

Email: [payroll@rochester.edu](mailto:payroll@rochester.edu)

