Graduate Student: Financial Literacy Forum
Non-Taxable Fellowship Grants

- Recipient is an individual, who is a candidate for a degree in an educational institution (i.e., Undergrads and grads, not post-docs)

- Fellowship is used for “qualified tuition and related expenses”
  - Tuition fees, books, equipment for courses of instruction
Taxable Fellowship Grants

- Amounts given to non-degree candidates, such as post-docs
- Amounts are used for room, board, travel, clerical help, equipment, and living expenses not require for enrollment at the educational institution
1098-T

- Reports total scholarship and fellowship allotments
- Includes qualified tuition and related expenses
- To access document: www.1098t.com
Box 5 amounts in excess of Box 2 amounts are normally taxable.

Box 2 amounts in excess of Box 5 amounts can usually be used as either a Tuition and Fees Deduction or Education Credit.
How to Report Fellowship Grants

- Federal 1040
- Report Fellowship Income on line 21
How to Report Fellowship Grants

- CA 540
- Report Fellowship Income on line 13
How to Determine Filing Status

- Single: Anyone unmarried, divorced, or legally separated
- Married Filing Jointly
- Married Filing Separately
- Head of Household: Taxpayers whose filing status cannot be married filing jointly and paid more than half the cost of maintaining a home for themselves and a qualifying person
- Qualifying Widower: Spouse died during 2011 or 2012 and you have a qualifying child
How to Determine Filing Status

- **Personal Exemption**
  - One exemption for the taxpayer and if married, additional one for spouse
  - Cannot be claimed if you are a dependent
  - Amount $3900
How to Determine Dependency Status

- Qualifying Child
  - Residency test- live with taxpayer more than 6 months
  - Relationship test- son, daughter, brother, sister, or descendant (limited)
  - Age test- under 19 (or under 24 if full-time student)
  - Support test- child cannot provide more than half his own support
  - Citizenship test- must be US citizen or resident
  - Joint return test- cannot file a joint return
How to Determine Dependency Status

- Qualifying Relative
  - Relationship test - must either be a qualifying relative of the taxpayer or a resident in the taxpayer’s household for the entire year
  - Gross income test - the qualifying relative’s gross income from taxable sources must be less than the exemption amount ($3900)
- Support test
- Citizenship test - must be US citizen or resident
- Joint return test - cannot file MFJ and be claimed as a dependent unless certain requirements are met
Resident Aliens

- Must pass either one of the two following tests:
  - 1. Green card test
  - 2. Both Substantial Presence Tests
    - 31 day test
    - 183 day test (please refer to IRS for calculation)

- OR have been on F, J, M, or Q visas for more than five years
Non-Residents

- Do not pass the Green Card or the Substantial Presence tests

- Or are: (on visas for less than five years)
  - Students/teachers/trainees/Researchers with F, J, M, or Q visas
  - Employee of a Foreign Government (generally on an A of G visa)
  - Foreign professional athlete in the USA for a CHARITABLE event
Non-Residents

- Nonresident aliens follow a different set of tax laws and have to file Form 1040NR or 1040NR-EZ.

- GLACIER is an online program that will assist nonresident aliens in filling out the 1040NR (federal return).

- Once GLACIER is complete, bring us your completed 1040NR and VITA will help you file your California state return.
Deduction vs. Itemized Deduction

- Deductions reduce taxable income

- Standard: Each filing status receives a certain dollar amount in deductions. A standard amount is correlated to a filing status

- Itemized: Beneficial if medical expenses, mortgage interest, state taxes, charitable contributions, casualty losses, or miscellaneous deductions are greater than the standard deduction amount
What are Tax Credits?

- Credits are money given back to you after you determine your tax liability
- Refundable
- Nonrefundable
- Common credits: Lifetime Learning Credits California Renter's Credit, Child and Dependent Care Expenses, Foreign Tax Credits, Child Tax Credit, and Earned Income Credit
Lifetime Learning Credit

- Available to any year someone pays for post secondary education or for courses to improve job skills
- Most applicable to graduate student
- Can claim up to $2,000 of a tax credit and its distributed on a per family basis
California Renter’s Credit

- Must be a resident of CA in the tax year and have paid rent for at least half of tax year for property in California that was your principal residence
- Property rented was not exempt fro CA property tax → UCLA dorms and university apartments do NOT apply
- Did not live with another person for more than half the year who can claim you as a dependent (ie parent)
- $60 for single and MFS; $120 for MFJ, QW, and HoH
California Renter’s Credit

- In order to claim this credit, taxpayer needs to provide contact information of landlord

- For CA 540
VITA

Things to bring

- Proof of Identification (Photo ID)
- SSN or ITIN
- All W-2s, 1098-Ts, and 1099s
- Bank account and routing information for direct deposit/withdrawal
- Copy of last year's return
- If filing a joint return, both spouses must be present to sign forms
- Total education expenses