Income Types & Tax Treatment

**Wages**
Wages are reported each year on a W2 form. Amounts reported in Boxes 1, 3, 5, and 16 represent the taxable income base for that specific tax. Many times, these amounts differ from the amount earned by an employee since all regular full-time employees may have pre-tax contributions, imputed income, and retirement contributions.

**Scholarships and Fellowships**
A scholarship is generally an amount paid on behalf of a student (whether an undergraduate or a graduate) at an educational institution to aid in the payment of his/her costs for attendance. A fellowship is generally an amount paid for the benefit of the recipient to aid in the pursuit of his/her field of study or research. Generally, scholarships and fellowships for U.S. residents and resident aliens are not paid through the payroll office as income subject to withholding and therefore the income is not reported to the recipient on a W2 as taxable income. Scholarships and fellowships paid on behalf of non-resident aliens (for any costs other than qualified tuition expenses) are considered taxable income and withholding does apply unless the recipient is eligible for exemption through a treaty with their country of residence. Non-resident students receiving scholarships or fellowships that assists in the payment of any costs other than qualified tuition will receive a 1042-S form from the Payroll Office of Mercer University. Required withholding will be submitted in accordance with IRS law and posted to the student’s account for collection.

*Click Here for more information on Payment of Student Fellowships & Assistantships*

See Pages 3-4 of this document for Student Income Tax Types

**Tuition Waivers:**
Undergraduate Waivers are for qualified tuition only and are therefore excludable as taxable income. Withholding tax is not applicable and recipients do not receive an information statement from the Payroll Office. Under I.R.C. § 127(a), Graduate Tuition Waivers provided by an educational Institution (like Mercer University) to its employees are excludable in an amount of up to $5,250 per calendar year if the tuition waivers are provided as part of an educational assistance program described in I.R.C. § 127(b). Any tuition waiver or reduction provided in excess of this amount is a taxable fringe benefit for income tax purposes, unless the education is necessary for the employee to maintain or acquire skills necessary for their current employment or the education meets an express requirement by their employer, law or regulations, status or rate of compensation and thus would qualify as a deductible business expense under I.R.C. § 162 had the employee paid the tuition himself. Taxable Graduate Tuition waivers are included in compensation reported on the employee’s W2.

**Imputed Income:**
A taxable fringe benefit arises if Life Insurance coverage exceeds $50,000 whether it is paid by the university or purchased “pre-tax” by the employee. IRC section 79 provides an exclusion for the first $50,000 of group-term life insurance coverage provided under a policy carried by an employer. There are no tax consequences if the total amount of the policy(s) does not exceed $50,000. The imputed cost of coverage in excess of $50,000 must be included in income, using an IRS Premium Table, and are subject to social security and Medicare taxes.

**Moving Allowances**
Moving allowances are reported to you through payroll and will appear on your W2 either in Box as additional compensation (for non-qualified expenses) or as information only when the expenses are reimbursed as qualified expenses for an accountable plan. To learn more about moving allowances, please refer to: [http://benefitspayroll.mercer.edu/mubenefitspayroll/payroll/upload/MovingExpenses.pdf](http://benefitspayroll.mercer.edu/mubenefitspayroll/payroll/upload/MovingExpenses.pdf)

**Housing Allowances**
If you receive as part of your salary (for services as a minister) an amount officially designated as a housing allowance, it is excluded from your taxable income in Boxes 1,3,5 & 16. See IRS publication 517 for additional information.

**Travel Allowances**
Travel allowances (unless reimbursed as a business expenses) are taxable income added to your W2 as compensation.

*If you received a W2 or a 1042-S from Mercer University, it came from the Payroll Office. Please call ex: 2699 so that you may be directed to the appropriate staff member.*
# Student Federal and GA Tax Treatment

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Tax Document Issued by the University*</th>
<th>Federal and State of GA Income Tax Withholding?</th>
<th>Social Security &amp; Medicare (FICA) Tax Withholding?</th>
<th>Tax Treatment to Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Fellowships</td>
<td>None</td>
<td>No</td>
<td>No</td>
<td>May be Taxable (1)</td>
</tr>
<tr>
<td>Graduate Assistant Wages</td>
<td>Form W-2</td>
<td>Yes</td>
<td>No</td>
<td>Taxable (2, 4, 5)</td>
</tr>
<tr>
<td>Graduate Teaching Assistantship</td>
<td>Form W-2</td>
<td>Yes</td>
<td>No</td>
<td>Taxable (2, 4, 5)</td>
</tr>
<tr>
<td>Graduate Research Assistant Stipend</td>
<td>Form 1099-MISC</td>
<td>No</td>
<td>No</td>
<td>Taxable (3, 6)</td>
</tr>
<tr>
<td>Other Stipends</td>
<td>Form 1099-MISC</td>
<td>No</td>
<td>No</td>
<td>Taxable (6)</td>
</tr>
<tr>
<td>Student Wages – Academic Year</td>
<td>Form W-2</td>
<td>Yes</td>
<td>No</td>
<td>Taxable (4, 5)</td>
</tr>
<tr>
<td>Other Student Wages – Summer</td>
<td>Form W-2</td>
<td>Yes</td>
<td>Yes</td>
<td>Taxable (4, 5)</td>
</tr>
<tr>
<td>Prizes &amp; Awards</td>
<td>Form 1099-MISC</td>
<td>No</td>
<td>No</td>
<td>Taxable (6)</td>
</tr>
</tbody>
</table>
This information is intended only for students who are U.S. Citizens and U.S. Permanent Residents. Although the information contained in this web site is designed to offer general tax information, it is not a substitute for advice obtained from the Internal Revenue Service, the Georgia Department of Revenue and/or a qualified tax professional. This information is subject to change or further interpretation by the Internal Revenue Service or other tax authorities. International students and other non-resident aliens should contact the Payroll Office at x2699 with questions regarding the tax treatment of various payments.

1. Under federal tax law, a scholarship or fellowship provided to a student in a degree granting program is generally taxable. However, if you are a candidate for a degree, you can exclude from taxable income that part of the scholarship/fellowship used to pay the costs of tuition, required fees, books, equipment and supplies (required fees, books, equipment and supplies are limited to those specifically required of all students in a course). You cannot exclude from taxable income any part of the grant used for other purposes, such as room and board. Refer to IRS Publication 970, Tax Benefits for Higher Education, Section 1, Scholarship, Fellowships, Grants and Tuition Reductions, the IRS tax guide for students, Taxable Income for Students.

2. Payments made to Mercer students as Graduate Teaching Assistants and other Graduate Assistants for services rendered to the University in connection with a graduate assistantship appointment are taxable to the recipient; applicable taxes are withheld at the time the payment is made through the student payroll process.

3. Payments made to Graduate Research Assistants are taxable to the recipient; however, since an employment relationship does not exist between the University and the GRA, no taxes are withheld at the time the payment is made through the accounts payable process. The University will provide you with a Federal and State Form 1099 – you are required to report the amounts on your individual income tax return.

4. Federal Income Tax (FIT): Federal income tax is withheld at a graduated rate based on your Form W-4 filed with the Payroll Office. In addition to the Form W-4 instructions, the IRS provides a withholding calculator tool in order to ensure that you do not have too much or too little federal income tax withheld. State Income Tax (SIT): State of GA income tax withholding is based on your G4 filed with the Payroll Office. Please refer to the instructions to the form for guidance with respect to completing this form.

5. Social Security and Medicare (FICA) Tax: FICA tax is withheld at a combined tax rate of 7.65% (6.2% social security and 1.45% Medicare) subject to certain thresholds. Payments for services performed by an undergraduate or graduate school student who is enrolled at the University for at least 11 ¾ hours during the academic quarter are generally exempt from FICA tax. Students working during the summer quarter who are not registered for classes (but will be taking classes in the fall) are subject to FICA tax withholdings.

6. Estimated Tax Payments: You may be required to make federal and/or state quarterly estimated income tax payments when you receive taxable income not subject to withholding. Refer to the IRS web site for information about making estimated tax payments.