TAX GUIDELINES FOR STUDENTS

Whether or not you have to file a federal income tax return and whether you will owe income tax, is based on many factors. This explanation focuses on the most basic factors- dependency, income and filing status.

A. Dependency

Can someone claim you as a dependent?

Generally speaking, another taxpayer may claim you as a dependent (qualifying child) if you are under 19 years old or under 24 years old and a full time student AND you meet the relationship test AND you lived with them for more than 6 months of the tax year, AND you did not provide more than 50% of your support with earned income. This other person is commonly, but does not have to be, a parent.

- Living on campus is considered a temporary absence. If you maintain your home address and return home on breaks, you are considered to have lived with your parent(s) or other support person while away at school.
- There are special rules for divorced or separated parents. If your parents are divorced, legally separated or never married, it is possible that your non-custodial parent can claim you as a dependent.

Another taxpayer may also claim you as a dependent (qualifying relative) if you are any age, lived with them for all 12 months of the year AND they provided more than 50% of your support.

- Each person may only be claimed once. If someone may claim you as a dependent, you cannot claim your own personal exemption and you cannot claim a dependent.
    - Most traditional college students do not have dependents. If you are a non-traditional student, or if you support yourself and another person, refer to IRS Publication 17 for more information about claiming a dependent.
- The standard deduction- the amount you can subtract from your gross income before you have to pay income tax -is different if someone may claim you as a dependent.
- If someone may claim you as a dependent, you are not eligible for many credits (including education credits). If these credits apply, they will go to the person who claims/supports you. ○ Make sure that you provide your parents (or whoever may claim you) with your 1098-T. These credits can be very beneficial, and the information to collect them is on the 1098-T.
- If you are unsure, ask your parent (or other support person) if they claim you. The tax advantages to them claiming you may greatly outweigh the disadvantages of you not claiming yourself.

B. Income

What type of income do you have?

Wages, miscellaneous income and self-employment income are common for college students. Make sure you understand if you are an employee or a self-employed person/subcontractor. If you are not sure, ask whoever is paying you how they will report your income.

- W-2: If your income is wages/tips, it is reported on a Form W-2, and you are considered an employee. Your employer is required to withhold income, social security and Medicare taxes according to the federal withholding tables. You should accurately complete a Form W-4, so that your employer can withhold the correct amount. If you have multiple jobs, make sure you provide that information on the W-4, so that the withholding is accurate. **There is also a withholding calculator on the IRS website that can help you determine if you are having enough withheld.**
- 1099-Misc: If your income is miscellaneous income, it is reported on a Form 1099-Misc. Miscellaneous income is not wages or payment for work performed. **Stipends, awards, bonuses and royalties are typically reported as miscellaneous income.** It is subject to federal (and usually state) income tax. **Most 1099-Misc payers do not withhold any taxes. If you have miscellaneous income, you should put aside money to pay income tax, or make estimated payments.**
- 1099-NEC: If your income is reported on a Form 1099-NEC, you are considered a non employee/self-employed person. **Gig work, consulting and many internships or paid training programs are reported as non-employee compensation.** (For more information on the distinctions between employees and self-employed persons, refer to IRS publication 1779.) It is subject to Self Employment tax (SE tax) as well as federal (and usually state) income tax. Even though it is calculated on your federal income tax return, SE tax is different from income tax. SE tax is a social security and Medicare tax, which contributes to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits.
  You must file Schedule SE on your tax return and pay SE tax if your net earnings from self employment are $400 or more. Currently the SE tax rate is 14%. If you are considered self employed, the payer will not withhold income or SE taxes. **You will be responsible for paying 14% SE tax on your self-employment income, even if you do not owe federal or state income tax. If you have self-employment income, you should make estimated payments or put aside money to pay SE tax and income tax.**

Are your scholarships considered income?

- **Scholarships should not be included as income if you used the funds for Qualified Educational Expenses**, which includes tuition, books, fees and other required expenses like lab equipment or uniforms.
- Qualified Educational Expenses **does not include room and board**, or other costs you may have paid to your college like parking fees, rec center fees or clubs and extra-curricular activities. • If your scholarships exceed your qualified educational expenses, you should report the difference as income.
  - Your educational institution will provide a Form 1098-T that will show how much you paid for tuition and how much you received in scholarships, if any. It does not report other qualified educational expenses like books. You should keep track of that yourself to reduce your tax and/or increase your credits.

Other types of income:

Although less common for students, all other types of income including but not limited to interest, dividends, investments/capital gains, unemployment compensation, annuities, retirement/pension and social security should be reported on your tax return. The tax rate varies for different types of income. The type of income also affects your standard deduction.

- Wages and self-employment are considered **earned income**.
- Scholarships, unemployment compensation, miscellaneous income, interest, capital gains and retirement/pensions are considered **unearned income**.

C. Filing status and standard deduction.

The standard deduction is the amount you can subtract from your gross income before you have to pay income tax. The standard deduction varies with your filing status and dependency. There are five filing statuses:

- Single (unmarried on the last day of the tax year) will apply to most students.
    - If you are **NOT** claimed as a dependent, your standard deduction is $12,550.
    - If you **ARE** claimed as a dependent your standard deduction is the greater of $1,100 OR your earned income plus $350 (not to exceed the standard deduction).
- Married but Filing Separately from your spouse also has a standard deduction of $12,550.
- Head of Household (unmarried and claiming a qualifying child) has a standard deduction of $18,800.
- Married Filing Jointly with your spouse and Qualifying Widow(er) statuses have a standard deduction of $25,100.

The standard deduction increases if you are over 65 years of age or blind. For more information on determining filing status, refer to IRS Publication 17.

D. Do I have to file a federal tax return?

Assuming that you are single and under 65:

- **If you are NOT claimed as a dependent**, you have a federal income tax filing requirement if your total income was at least $12,550, OR your self-employment income was at least $400, OR you had health insurance through the Affordable Care Act.
- **If you ARE claimed as a dependent**, you have a federal income tax filing requirement if your self-employment income was at least $400 OR your unearned income was more than $1,100 OR your earned income was more than $12,550 OR your total income was more than the larger of $1,100 or your earned income (up to $12,200) plus $350.

You may file a tax return to get a refund even if you do not have a filing requirement. If you had tax withheld (from wages, scholarships or any other source) you may get that back. Also, state and local laws vary. Generally, you will have at least one state filing requirement if you have a federal filing requirement. Most states require you to file if you lived in the state and had income, regardless of where you earned that income. Most states require you to file if you earned income in the state, regardless of your permanent address. That means if you attend college in a different state than your home address, you could have two filing requirements-one for your home state and one for the state where you earned income while at school.

E. Examples

Sam had a summer job and a work-study job. He had no other income. His wages totaled $10,000, were reported on a W-2 and both employers withheld income tax. His total federal withholdings were $1,000. His parents claim him as a dependent.

- Sam's standard deduction is $10,350 (earned income plus $350). His income was $10,000, so none of his income is subject to tax and he will get all of his $1000 withholding back as a federal refund.

Meghan had a low paying summer internship for which she was paid $3,000 in wages reported on a W 2. Her employer withheld $300 in income tax. She also received a stipend of $5,000 from her university to supplement her internship. It was reported on a 1099-Misc and nothing was withheld. Her mother, who filed as Head of Household, claims her as a dependent.

- Meghan's standard deduction is $3,350 (earned income plus $350). Her income was $8,000, so her income subject to tax is $4650. Her tax, according to the tax tables is $468, so she will owe $168 in federal income tax (tax minus withholding).

Joshua had a summer job and earned $12,500 in wages, which were reported on a W-2. He had $1,250 withheld. He did not work while at school. He had scholarships, which exceeded his tuition and fees by $5,900. He spent $852 of the overage on books and applied the rest to his meal plan balance. His father claims him as a dependent.

- Joshua's standard deduction is $12,550 (earned income plus $350 is greater than the standard deduction for Single). His income was $17,548, so his income subject to tax is $4998. His tax, according to the tax tables is $498, so he will get $752 of his withholding back as a federal refund.
- If everything above were the same except that Joshua had no wages/withholding, his standard deduction would be $350 (earned income plus $350) and his income subject to tax would be $4698. According to the tax tables, his tax would be $468 and he would owe all of that.

Aliyah is a sports medicine major who lives and attends school in the same city. She worked as a trainer/coach for the local running club all year. She was paid as an independent contractor. Her income of $6,120 was reported on a 1099-NEC. Nothing was withheld and she did not make any estimated payments. She also had $200 in interest on a CD at her bank. She had scholarships, which amounted to slightly less than her tuition and fees. Aliyah's parents claim her as a dependent.

- Aliyah's standard deduction is $6,470 (earned income plus $350). Her income was $6,320 so she will not have income subject to federal income tax. BUT, she will owe Self Employment tax of approximately $857 (14% of $6120).
    - If Aliyah keeps track of expenses like mileage and supplies, she can reduce her self-employment income and therefore her SE tax.
- If everything above were the same, except Aliyah made quarterly estimated payments of $300 directly to the IRS, she would receive a refund of $343.

*This is general tax information for planning purposes. It is not specific to any individual, and should not be considered legal advice. Following these recommendations does not guarantee that you will not owe income tax. More information is available from the IRS website or from your tax advisor. **This information is based on 2021 tax law, as 2022 tax law has not been finalized.**