

2007 Form 1042-S: Explanation of Amounts Reported

Princeton University will distribute the 2007 Form 1042-S to employees and students no later than March 15, 2008 per IRS regulations.

The following types of income received from Princeton University during calendar year 2007 are reported on Internal Revenue Service (IRS) Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding):

- Fellowship stipends, whether subject to or exempted from Federal Income Tax (FIT) withholding;
- The portion of assistantship payments (in research and instruction), hourly earnings, and other wages for teaching or research that were exempted from FIT withholding because of a tax treaty in effect between the United States and the recipient's home country of residence. (Please note that the taxable portion of these types of payments and earnings (those that were subject to FIT withholding in 2007) are reported on IRS Forms W-2, distributed in January of 2008).

Following is a brief explanation of the amounts that are reported on the Form 1042-S:

Fellowship Stipends

a) Amounts Subject to Federal Income Tax (FIT) Withholding:

Box 1 – Income code: 15 – Scholarship or fellowship grants;

Box 2 – Gross income: The total dollar amount of all fellowship stipends paid by Princeton University that was subject to federal income tax, rounded to the nearest dollar per IRS requirements;

Box 3 – Withholding Allowances: Blank;

Box 4 – Net income: Blank;

Box 5 – Tax rate: 14.00%;

Box 6 – Exemption code: 00 – Indicates that these fellowship stipends were not exempt from tax withholding;

Box 7 – U.S. Federal tax withheld: The total dollar amount of federal income tax that was withheld from fellowship stipends in 2007, rounded to the nearest dollar per IRS requirements. This amount is equal to 14% of Box 2.

b) Amounts Exempt from Federal Income Tax (FIT) Withholding:

If there is a tax treaty in effect between the United States and the student's or fellow's home country of residence, the treaty may allow some or all of the fellowship stipends to be exempted from FIT withholding once IRS Form W8-BEN is completed. If a Form W8-Ben has been submitted for 2007, any fellowship income received that was exempted from FIT withholding will appear as follows on the Form 1042-S:

Box 1 – Income code: 15 – Scholarship or fellowship grants;

Box 2 – Gross income: The total dollar amount of all fellowship stipends paid by Princeton University that was exempted from federal income tax withholding, rounded to the nearest dollar per IRS requirements;

Box 4 – Net income: Blank;

Box 5 – Tax rate: 0.00%;

Box 6 – Exemption code: 04 – Indicates that these fellowship stipends were exempt from federal income tax withholding under a treaty claimed by the individual;

Box 7 – U.S. Federal tax withheld: This amount is equal to \$0, indicating that no federal income tax was withheld.

Assistantship Payments, Hourly Work and Other Wage Payments

Certain tax treaties permit a portion of income from personal services (assistantships, hourly work and other wage payments) to be exempted from federal income tax withholding once IRS Form 8233 is completed. The dollar amounts that can be exempted generally range from \$2,000 to \$5,000 per year depending on the treaty claimed. Most treaties that exempt wage payments to employees have no annual dollar limit.

Box 1 – Income code: 17, 18 or 19 –Wage payments to students and fellows are listed as Code 19 (Compensation during studying and training); wage payments to employees are listed as Code 18 (Compensation for teaching); wage payments to Canadian residents (employees, fellows and students) are listed as Code 17 (Compensation for dependent personal services);

Box 2 – Gross income: The total dollar amount of all assistantship payments, hourly earnings and other wages paid to the employee, fellow or student by Princeton University in 2007;

Box 4 – Net income: Blank;

Box 5 – Tax rate: 0.00%;

Box 6 – Exemption code: 04 – Indicates that these wage payments were exempt from federal income tax withholding under a treaty claimed by the employee, fellow or student;

Box 7 – U.S. Federal tax withheld: This amount is equal to \$0, indicating that no federal income tax was withheld.

Explanation of Other Boxes on the Form 1042-S

Following is an explanation of other boxes on Form 1042-S that may contain information:

Box 12 – Recipient code: 01 – Indicates the employee, fellow or student is an individual.

Box 14 – Recipient’s U.S. TIN: This box contains the employee, fellow or student U.S. Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) that has been provided to the Payroll Office. If no SSN or ITIN has been provided, then this box will be blank. Note that non-citizen individuals who do not have a U.S. SSN or ITIN are subject to having their individual tax returns rejected by the IRS as well as being potentially subject to assessments by the University for IRS penalties incurred on their behalf. **Non-citizen individuals are strongly urged to apply for a U.S. SSN or ITIN and to report the number to the Payroll Office immediately upon receipt to avoid any tax complications or assessments.**

Boxes 15 & 16 – Recipient’s country of residence for tax purposes and Country code: Indicates the country of residence for tax purposes, and associated IRS country code, of the non-citizen employee, fellow or student as it has been communicated to the Payroll Office.

Boxes 22, 23 & 24 – State tax information: These boxes will all be blank as any applicable State tax information will have been reported on the Form W-2.

Tax Information available on the Princeton Web site:

The Office of General Counsel web site contains information related to the filing of calendar year 2007 tax returns. Also, the Office of General Counsel hosts a tax workshop in mid-March, which provides helpful tax information. The specific schedule can be obtained from their website. The web address is: <http://web.princeton.edu/sites/ogc>.

Tax Information available via the Web:

Information about filing individual Federal and State tax returns, along with downloadable tax forms, instructions and publications, can be accessed via the Web at the following sites:

- Federal Information and Forms (IRS): <http://www.irs.gov>
- State Information and Forms (NJ): <http://www.state.nj.us/treasury/taxation/>
(PA): <http://www.revenue.state.pa.us>