State Tax Questions

Must I file in Massachusetts?

MA taxes residents on income from all sources and nonresidents only on income derived from MA. If you are a resident of MA, whether single or married, you will have to file a MA return if your gross income from all sources exceeds $8,000. If you are not a MA resident, filing will generally be required only if your "MA Source Income" exceeds the percentage of your total income that is MA sourced multiplied by your MA personal exemption. The 2006 exemption amount was $3,850 for single and $7,700 for married filing jointly.

What is Massachusetts source income?

"Massachusetts source income" includes income derived from (i) a trade, business or employment carried on in MA, (ii) lottery or wagering transactions in MA, and (iii) the ownership of an interest in real or tangible personal property in MA. For most nonresident students, their MA source income will be limited to compensation from employment in MA. Interest or dividends received from MA banks or corporations will generally not be MA source income because such items are not connected with a business activity of the student. Scholarship or fellowship grants not requiring the rendition of services should also not be deemed MA source income as no trade or business is involved.

How do I determine if I am a MA resident?

MA defines a resident as (1) a natural person "domiciled" in MA or (2) a natural person who maintains a "permanent place of abode" in MA and spends more than 183 days in MA during the tax year.

"Domicile" in MA requires both a physical residence in MA and an intention to make MA one's home permanently or for an indefinite period of time, with no intent to return to a prior home. If you are in MA solely to pursue a course of study over a relatively defined period of time, with an intention to return home at the conclusion of your studies, you will not be deemed to be domiciled in MA.

A "permanent place of abode" in MA means a dwelling place continually maintained by a person, whether or not owned by the person. Dwelling places maintained during a temporary stay not exceeding one year for a particular purpose are not deemed permanent places of abode. Dormitory rooms are also not deemed permanent places of abode; however, an off-campus apartment shared by students is considered a permanent place of abode.

Additional Resources

Internal Revenue Service (IRS)

- www.irs.gov
- Publication 17: Your Federal Income Tax-For individuals
- Publication 970: Tax Benefits for Education
- You might be eligible to file for free! Refer to the IRS website

Massachusetts Department of Revenue (DOR)

- www.mass.gov/dor

Student Receivables Office (1098-T)

- (617) 495-2739 or ECSI (24 hrs) (866) 428-1098
- https://www.ecsi.net/cgi-bin/bcgi.exe
- 1098-T released by January 31

Harvard Central Payroll (W-2)

- (617) 495-3001
- http://vpf-web.harvard.edu/ofs/payroll/emp_w2_order.shtml

Harvard International Office

- (617) 495-2789
- http://www.hio.harvard.edu
- Provides software and coordinates workshops for international students regarding taxes

Tax Information for Harvard University Domestic Students

"In this life, nothing is certain but death and taxes"

2007

This pamphlet has been prepared to alert students to the general filing obligations under the US and MA income tax laws. What follows are answers to some of the more frequently asked questions concerning the taxation of students.

Harvard will attempt to provide you with the general information necessary to satisfy your filing obligations. The ultimate responsibility for the reporting and payment of your taxes, however, rests with you. Harvard representatives are not permitted to give you individual tax advice, and we would suggest that you seek professional advice from a qualified accountant or attorney if you encounter complicated tax situations.

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Federal Tax Questions

Must I file a US income tax return?

Generally, you must file a US return if you receive a specified minimum amount of gross income for the calendar year. The minimum amount varies with a number of factors, including your marital status and your status as a dependent. For 2007, a single student who cannot be claimed as a dependent is required to file if his or her gross income exceeds $8,750. For a single dependent student, a return will be required if (i) unearned income (such as taxable interest or dividends) exceeds $850, (ii) earned income (including wages and taxable scholarships) exceeds $5,350, or (iii) gross income exceeds the greater of $850 or the earned income (up to $5,050) plus $300. For a married couple filing jointly, a gross income in excess of $17,500 will trigger the filing obligations.

Even if you are not required to file a return, it is to your benefit to file and claim a refund of any Federal income tax which has been withheld.

Is my scholarship/stipend taxable for Federal purposes?

The US tax laws divide scholarships (including fellowships, stipends, and grants) to degree candidates into two parts. The amount received as a scholarship or fellowship which is used, under the terms of the grant, to pay for tuition and fees required for enrollment, or for fees, books, supplies, and equipment *required for your courses*, is nontaxable. Any additional amount of the scholarship, such as a stipend for room and board or for travel expenses, will be taxable income. IRS Publication 970, "Tax Benefits for your Education," explains how these items should be reported on your tax form. You should retain any receipts necessary to support your reporting position, although the receipts are not filed with your return.

If any portion of your funding represents a payment for teaching, research or other services, that portion will be taxable.

You may or may not receive a tax form from the University (such as a W2 or 1099) for your taxable scholarship income. It is still your responsibility to include this when filing your tax return.

Are there special credits or deductions for educational expenses?

There are a number of Federal income tax benefits designed to assist individuals in managing the costs of higher education. IRS Publication 970 discusses them in detail. Of particular relevance to students are the Student Loan Interest Deduction, the Tuition and Fees Deduction, and the Hope and Lifetime Learning Credits.

Individuals paying interest on "qualified education loans" may be able to deduct up to $2,500 of such interest payments in 2007. The deduction is "above the line," such that it may be claimed by students who do not itemize deductions but rely on the standard deduction. For these purposes, qualified education loans are loans incurred on behalf of the taxpayer, the taxpayer's spouse or a dependent of the taxpayer to pay "qualified higher education expenses" (including tuition, fees, room and board, books, supplies, equipment, and other necessary expenses). The deduction is ratably phased out for taxpayers with modified adjusted gross incomes between $55,000 and $70,000 (between $110,000 and $140,000 for joint filers).

Individuals may also opt to take *one of* the Hope Credit, Lifetime Learning Credit or the Tuition and Fees Deduction. The Lifetime Learning Credit generally may be claimed for qualified tuition and related expenses of a taxpayer, the taxpayer's spouse or a dependent with respect to a course of instruction at an eligible educational institution which is part of a degree program or taken to acquire or improve job skills. This credit is equal to 20 percent of the first $10,000 of qualified tuition and related expenses paid during the tax year. The credit is phased out for taxpayers with modified adjusted gross incomes between $47,000 and $57,000 (between ($94,000 and $114,000 for joint filers). The credit is claimed on Form 8863, Education Credits (Hope and Lifetime Learning Credits). Alternately, a Hope Credit may be claimed with respect to students in their first two years of postsecondary education instead of the Lifetime Learning Credit. Please refer to IRS Publication 970 for details.

The Tuition and Fees Deduction allows you to reduce your taxable income by up to $4,000. This deduction is taken as an adjustment to income, meaning you can take it even if you do not itemize deductions. You will want to calculate which of the Hope Credit, the Lifetime Learning Credit and the Tuition & Fees Deduction may be available and would be most beneficial.

Will I be required to pay Federal estimated taxes?

Generally, you will be required to make Federal estimated tax payments if you expect to owe taxes of $1,000 or more for 2007, after taking into account all withholding and credits, and the amount of such withholding and credits will be less than 90 percent of the total tax due for 2007 or 100 percent of the total tax shown on your return for 2006. Students should determine their potential estimated tax liabilities on Form 1040-ES.

The inclusion in your gross income of a portion of your scholarship, as discussed above, may make you liable for estimated tax payments. If so, you will be required to make four equal installments of the tax you expect to owe for each calendar year. Generally, the installments are due on April 15, June 15, and September 15 of the tax year and January 15 of the following year.

Massachusetts will also require the payment of estimated taxes if you expect to owe more than $400 in taxes on income not subject to withholding. For reasons explained in the MA taxes section of this pamphlet, this will generally affect only students who are deemed MA residents.

What is the 1098-T?

Form 1098-T is a tuition statement that provides information to students on tuition amounts and scholarship/grant credits. Harvard University prepares these based on when you are billed for the expense, not when it is paid (including payments or loan/scholarship credits). Therefore, for tax year 2007, you will most likely have your full 2007-2008 academic year tuition showing on your 1098-T, but only the fall portion of your scholarship. The spring portion of your scholarship will appear on your 2008 1098-T.

The 1098-T form is for informational purposes only. You can choose to file your taxes based on when you paid the tuition, therefore claiming fall tuition in 2007 and spring in 2008. You should ensure that you are consistent in your method and do not claim the same tuition payment in multiple tax years.