



— NATIONAL —
POSTDOCTORAL
— ASSOCIATION —

15800 Crabbs Branch Way | Rockville, MD 20855
Ph: 301.984.4800

OVERVIEW OF TAX ISSUES FOR POSTDOCS

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Overview of Tax Issues for Postdocs

1. Employee Postdocs

Tax Withholding

Postdocs who are U.S. citizens or permanent residents and are employed on grants or receive a salary from their institution through the “standard” payroll disbursement will have federal tax withholdings taken out of their paychecks. (For postdocs who are temporary residents, please refer to the section below on *international postdocs*.) The amount of this tax withholding depends upon the individual circumstances of the postdoc, including total income, status of dependents, and any tax treaty status for international postdocs.

Upon starting a new appointment, “employee” postdocs should fill out a federal withholding form, [IRS Form W-4](#). In states with an income tax, postdocs should also complete a state withholding form in order to set the amount of this withholding. It is very important that the withholding be calculated in as much detail as possible in order to avoid paying too much or too little tax over the course of the tax (calendar) year.

- [IRS Withholding Calculator](#)

Tax Filing

All employee postdocs must file a tax return between January 15 and April 15 for the previous tax year. In order to fill out the tax return forms, postdocs will need to have received a W-2 form from their employer that lists their wages and salary accrued for the year. If too little has been paid, a postdoc risks a large payment of the balance and possibly a penalty.

- [IRS Federal Tax Forms](#)
- [State Tax Forms](#)

2. Postdoc Fellows: “Non-employee” Postdocs or Postdocs on Fellowships

Fellowships are Taxable Income

Virtually all postdoc fellowships funded from U.S. sources are subject to income tax because they pay for living expenses. However, often fellowships and traineeships are not subject to automatic tax withholding. This is most often true with “direct-paid” fellowships – fellowship stipends that are paid directly to the postdoc – although it is sometimes the case with fellowships that are paid through the institution.

Estimated Payments

Those fellowships without automatic tax withholding are still subject to the IRS requirement that income tax be paid on a regular basis throughout the tax year, and not all at once at the end of the year. Thus, postdocs without withholding should make estimated tax payments each quarter in order to avoid a penalty. Use [IRS Form 1040ES](#) for estimated federal

tax calculations and payments, and find the equivalent form for estimated state taxes (where applicable). See the IRS help topic on [Estimated Taxes](#).

Tax Filing

Postdocs on fellowships must also file a tax return between January 15 and April 15 for the previous tax year. Postdoc fellows and trainees may receive a W-2 or 1099-MISC Form reporting their total fellowship income, or they may receive no summary form at all. In any case, a tax return must be filed and the fellowship stipend amount should be reported with gross income. For instructions on reporting taxable fellowship income not included on a W-2, see IRS Publication 970, "Tax Benefits for Education," which has a section on "[Reporting Scholarships and Fellowships](#)." Tax time is also a good opportunity to make sure that the estimated quarterly payments are sufficient to avoid [penalties for too little tax paid](#).

FICA and Fellowships

For fellowships paid through the institution, there is some variation on whether the institution should withhold federal employment taxes: social security and medicare taxes (FICA) and unemployment tax (FUTA). A 2005 IRS ruling implies that all postdoc income be subject to these taxes, including postdoc fellowship income; however certain fellowships and traineeships, in particular the NIH National Research Service Award (NRSA), are not because the research conducted by these postdocs is considered non-compensatory (i.e. the stipend is more like a grant than a wage paid for services). Given the initial controversy (and confusion) over these determinations (see articles below), the policies governing those supported on fellowships have been determined on a case-by-case basis by the institution's legal counsel. Due to these variations, postdocs should check with their own institution's decision. Initial ScienceCareers.org article (inaccurately) describing the new IRS regulation and its implications: "[A Taxing Question on Postdoc Pay: New IRS Regulation Demands Deductions from All Postdocs](#)" by Beryl Lief Benderly Alerted by tax attorney Bertrand Harding, Jr., that this regulation should not apply to NRSA fellows, ScienceCareers.org later received clarification of this fact from the IRS. A description of this clarification is included in the following articles:

- [NRSA Fellows May Be Eligible for Substantial Tax Refunds: Background](#) by Geoff Davis
- [NRSA Fellows May Be Eligible for Substantial Tax Refunds](#) by Bertrand Harding, Jr.

Self-Employment Tax

It can be a complicated question whether postdocs on fellowships are self-employed and are thus required to pay self-employment tax. Most IRS publications for the average tax payer suggest that if you receive a 1099-MISC form you should be paying self-employment tax. However, being a postdoc is a bit different than being an independent contractor. There are several tax court cases that deal specifically with postdocs and fellowships, primarily Spiegelman v. Commissioner of Internal Revenue (1994, 102 T.C. 394), which says that postdocs supported on fellowships are not self-employed. The crux of most of these arguments hinges on whether or not there is a quid pro quo or employer-employee relationship between postdoc and institution, and typically postdoc fellows are not required to render services to their institution in exchange for their stipend. However, as with paying FICA, this issue can be

complicated. The unofficial rule of thumb is that if your salary shows up in Box 7 for “Non-employee compensation” (as opposed to Box 3: “Other income”) there is a higher chance that the IRS will scrutinize your tax return more carefully, expecting you to have paid self-employment tax. Thus, if you are not sure, it is highly advised that you talk to a tax professional.

For some additional details on this topic, see the ScienceCareers.org article by Laure Haak: [Postdocs and the Law, Part III: Are Postdocs Employees?](#)

3. Child or Dependent Care Credit

Since postdoctoral fellows typically do not have “earned income” they usually cannot claim a tax credit for child and dependent care expenses. Those who use child or dependent care services so that they may work typically can claim a tax credit for the expenses they pay or reduce their taxable income by the amount they receive in dependent care benefits (e.g. flexible savings accounts, employer-sponsored childcare, employer-paid child care subsidy). Tax payers must, however, have earned income to claim this credit, and if married, both spouses must have earned income unless one spouse is a full-time student or is unable to care for his/herself. Stipends received by postdoctoral fellows typically do not qualify as earned income for this credit since fellowship income that is not included on a W-2 is explicitly disqualified (e.g. NRSA and similar fellowships that are intended as grants and not payment for services are not earned income). Unfortunately, this currently applies to both the credit as well as dependent care benefits, since both must pass the same earned income test. So fellows without earned income who are married to regular employees with access to various child or dependent care benefits will not be able to claim a tax credit. For more information:

- [Publication 503 Child and Dependent Care Expenses](#) (in particular, see the earned income test)
- [IRS Form 2441, Dependent and Child Care Expenses, Instructions](#)

4. International Postdocs

International postdocs are subject to U.S. federal and state tax laws; however, qualified residents of some countries may have tax treaties that make them exempt from U.S. taxes or provide other benefits. Those who intend to pay taxes in the U.S. typically have the same automatic tax withholding as employee postdocs. Tax-exempt postdocs, however, may or may not have taxes withheld, depending on the institution and nature of their appointment.

Tax Filing

International postdocs must always file a federal tax return since it provides the vehicle for either claiming tax-exemption or for declaring (and perhaps paying) taxes owed. The need to file state tax returns varies widely depending upon the state and the amount of time an individual was physically present there. Those who are tax-exempt but who still have taxes automatically withheld from their paychecks will need to file a tax return to receive a refund of their withholdings.

Resident or Non-Resident?

An international scholar's status as a resident or non-resident for tax purposes is different than his or her status for immigration purposes. The IRS determination depends upon several factors, including treaty status, visa status, and the amount of time the scholar was physically present in the U.S. [References for Foreign Students and Scholars](#) includes a section on "[Introduction to Residency Under U.S. Tax Law](#)" that can help postdocs determine their status and thus which federal tax form they should use.

For additional advice on taxes for international scholars, please consult the NPA's [International Postdoc Survival Guide](#) and [Beginner's Guide to Income Tax for International Postdocs](#).

The inherent complexity of the postdoc appointment, from its temporary nature to multiple funding sources to its visa implications, means that the financial circumstances of many postdoc will be unique. While this guide can provide general information, postdocs with more complex concerns are encouraged to seek out professional advice on their individual situation.

DISCLAIMER: This article is for informational purposes only and does not constitute tax or legal advice. If you want tax or legal advice, please contact a qualified tax professional / lawyer.

Any support a postdoc receives that is used to cover "living expenses" (as opposed to, say, tuition and fees) is subject to income tax. How that tax is paid typically depends upon the type of funding and the postdoc's employment classification and citizenship.