

2009-10 WITHHOLDING TAXATION FOR INTERNATIONAL STUDENTS

Withholding Tax Policies

All colleges and universities in the United States are required by the Internal Revenue Service (IRS) to deduct taxes from portions of an athletic scholarship for foreign student-athletes. Those portions of a scholarship that are used to pay for tuition and books are not taxable. However, scholarships covering room and board, course fees, book reimbursements and medical insurance are taxable at 14%.

Exemptions from being taxed at 14% are present under a variety of tax treaties, but the benefits vary according to the actual treaty your country has with the United States. These complex rules require a case by case analysis of a particular individual's circumstances in order to be allowed a possible tax treaty benefit. In order to explore the possibility of a tax treaty benefit, you will need visit Payroll Services in French Ad Bldg. Rm. 236 to set up an appointment with the Director. At this point, a determination can be made whether a tax treaty exists between your country and the United States.

If no tax treaty exists, Washington State University will deduct 14% from your athletic scholarship to pay these taxes. If you are living in the residence hall system, your student account will be billed at the beginning of each semester for the 14% tax. If you are living off campus a portion of the 14% tax will be deducted from each monthly stipend you receive. See the attached sheet for details on how this tax is calculated and steps you need to follow to comply with these rules.

Note that you will need to file a U.S Tax Return for each calendar year to determine if some of the withholding tax may be refunded back to you. You will be notified by International Programs and the Athletics Department of the designated tax workshop dates offered in March of each year prior to the tax filing deadline of April 15th.

SAMPLE CALCULATION FOR DETERMINING WITHHOLDING TAX

Here is an overview of how this tax was calculated for a foreign student-athlete receiving a full athletic grant-in-aid for the 2008-09 academic year:

Total Athletic Grant-In-Aid:	\$30,603
	\$18676 Tuition
---	\$889 Mandatory Fees
subtract ---	\$400.00 Books
---	\$300.00 Course Fees
TOTAL TAXABLE AMOUNT AT 14%	\$10,338 (Room and Board)
\$10,338 X 14% = \$1447.32 divided by 2 semesters = \$723.66 withholding tax per semester	

Student-Athlete Living in the residence hall system:	Student-Athlete Living off campus:
\$723.66 withholding tax: Student Accounts will bill this amount to the student-athlete's account at the beginning of each semester. Student-athlete is responsible for paying this amount upon receipt of billing statement. Note this charge may appear as a Housing Charge but it is actually for the tax owing.	The student-athlete will receive 10 stipends for the academic year (monthly stipend amount = \$805.20. \$1447.32 divided by 10 = \$144.73 withholding tax that Student Accounts will deduct from each monthly stipend leaving approximately \$660.47 stipend

It is important to note that this is an example and that the withholding tax Calculation will vary from student to student requiring a case by case analysis.

TO DO CHECKLIST:

When you arrive in Pullman:

- Attend the Mandatory Orientation Sessions coordinated by International Programs scheduled the week prior to the start of classes. For specific times and locations of sessions please contact International Program's at 509-335-4508 or go to www.ip.wsu.edu/oiss.
- If you believe a Tax Treaty exists between your country and the U.S. contact or visit Payroll Services (509-335-1277) to assist you in this process.

Please feel free to contact Joy Scourey at 509-335-0209 or email at scourey@wsu.edu for any additional clarification regarding this policy.