



University of California
San Francisco

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Dear Postdoctoral Scholar,

The payroll office would like to alert you to some important information regarding the taxability of your health benefits.

You may recall that effective July 1, 2006, a new Postdoctoral Scholar Benefits Plan (PSBP) was implemented for postdoctoral scholars in title codes 3252, 3253, and 3254. In some cases, the UC departmental contributions paid to the PSBP on your behalf are considered taxable income (or imputed income) per IRS regulations. To explain this, the UC Office of the President issued a policy statement in a letter in 2005, titled, "Taxability of Health Benefits Provided to Postdoctoral Employees, Fellows, and Paid Directs," (the text is available in the following accounting manual page 23), <http://www.ucop.edu/ucophome/policies/acctman/t-182-77.pdf>. Given UCSF joined the PSBP in July 2006, we are now implementing this change.

"Imputed income" is the term the IRS applies to the value of any benefit or service that should be considered income for the purpose of calculating federal taxes. However, the University's withholding and reporting responsibilities regarding health benefits furnished to a fellowship recipient varies depending on whether the recipient is a U.S. citizen (including a resident alien) or a nonresident alien and are based on IRS regulations.

IMPORTANT INFORMATION BEGINNING JANUARY 1, 2007: The UC contribution paid towards PSBP benefits will be taxed according to the following guidelines. The University of California is required by IRS regulations to implement this requirement.

• **Postdoc Employees in 3252:**

- Benefits are not taxable unless the Postdoc Employee has a Domestic Partner (DP), if so just the UC contribution that pays for benefits for the Domestic Partner and/or dependents will be taxed.*

• **Postdoc Fellows and Paid Directs in 3253 and 3254:**

- Benefits are taxable on the Employer-paid portion of premiums for Postdoc and covered dependents.
 - **"US Citizens" and other "Residents for US Tax Purposes" in 3253 or 3254:**
 - Postdoctoral Fellows (3253) and Paid Directs (3254) are required to self-report the total annual value of their fellowships, including benefits for themselves and their dependents, when they prepare their U.S. and California income tax returns. Campus Payroll will be issuing statements at the completion of each calendar year with the total annual value of benefits. These statements will be mailed to the Postdoc's campus address.



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▪ **Non-Resident Aliens (NRAs) in 3253 and 3254:**

- Subject to withholding 14% (F, M, Q, and J, Visa holders) and 30% for all others. Taxes will be withheld from stipends and reported on forms 1042-S and a 592-B.
 - Non-Resident Aliens who are 'Paid Directs' (3254) will be *billed* for the taxes and reported on forms 1042-S and 592-B, since their stipends ARE NOT paid by the University.

Postdocs that invoke tax treaties will not be subject to imputed income for federal purposes, but the benefits will be reported on form 1042-S and taxed for California purposes and reported on form 592-B.

Please note the employees in TC 3252 that do not cover a Domestic Partner and/or dependents of a Domestic Partner are not affected by the changes above.

If you have questions about....

- General tax inquiries and IRS regulations - contact your tax advisor or www.irs.gov, 1-800-829-4933, TDD 1-800-829-4059
- UCSF appointment status or title code - contact your Postdoc Administrator
- Billing Processes – contact the Payroll Office
 - Delia Cavizo - Delia.Cavizo@ucsf.edu

Best Regards,

Yvonne Deshayes

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*If your Domestic Partner and/or dependents are tax dependents, benefits will not be taxed. If your Domestic Partnership is registered with the State of CA, you will not be taxed by the state of CA. Please note you must take a positive action to notify the University of your status to ensure appropriate taxation. Please review and complete the appropriate portions of the attached forms.