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## Competitive Fellowship Leave Tax Implications

Submitted by Staff on Wed, 04/15/2015 - 17:00

Warning: Competitive Fellowship Leave Tax Implications

We have recently become aware that faculty who are awarded prestigious fellowships and apply for leave under the University's "Competitive Fellowship Leave Program" (CFL) are highly likely to incur significant tax penalties if CFL monies are paid directly to the faculty member rather than to the University. If you were awarded a Competitive Fellowship Leave (CFL) during 2014-15 and/or have been awarded a CFL for 2015-16, and the dollar amount of the award was paid or is slated to be paid to you directly by the grantor, be aware of the following:

1. The faculty member receiving the fellowship will receive a W-2 (or 1099 Form) with the amount of the fellowship awarded shown as "income earned."
2. The University will issue a W-2 showing that the faculty member received full salary even though the actual salary received was offset by the amount of the fellowship.
3. This double reporting of income has significant consequences for those who, as a result of the reported double income, are pushed into a higher tax bracket and potentially also subject to the Alternative Minimum Tax.
4. Additional tax liabilities result from the 2% threshold on Employee Business Expenses and from limitations in the state of New Jersey tax code concerning employee business expenses.

What to do?

If you have questions, contact the AAUP-AFT. Absent compelling circumstances to the contrary, we recommend that you have your CFL money paid directly to Rutgers, not to you personally as income. We are anticipating that the University will soon take steps to correct what appears to be a recent policy decision affecting New Brunswick SAS and possibly other units . . . one that has the effect of heavily penalizing faculty who are recognized through these prestigious awards for their significant scholarly contributions.

In solidarity,  
Lisa C. Klein, President

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