Massachusetts Institute of Technology

Office of the
Vice President for Finance

IMPACT OF SWITCHING FROM PDA TO PDF APPOINTMENT (OR VICE VERSA)

Changing from a post-doctoral fellow to a post-doctoral associate, or vice versa, impacts the post-doc's taxes and benefits eligibility. This table is for appointment changes without retroactivity. Late (retroactive) appointment changes have additional ramifications which differ based on the individual situation. For assistance on a late appointment change, contact HR/Payroll at payroll@mit.edu or 617-253-4255.

	U.S. Citizen or Permanent Resident	Foreign Nationals on Visas (NRAs)
PDA to PDF	1. No longer an MIT employee or eligible for employee benefits, (except for dental and vision, if eligibility requirements are met) 2. If enrolled in employee medical plan as a PDA, may continue at full rate, not employee rate, and without pre-tax benefit. If continued, medical insurance, including dental and vision, will be billed by HR/Payroll Accounting, not deducted from payroll payments. 3. Alternatively, PDF is eligible to continue medical coverage via COBRA, or to enroll in MIT Medical's Affiliate Health Plan. 4. If contributing to 401k, 401k participation and contributions end on PDA appointment end date. 5. Any accrued vacation is paid out. Tax Ramifications: 6. Federal and state taxes are no longer withheld. 7. The fellowship stipend is not subject to Social Security and Medicare taxes -- therefore these are no longer withheld. 8. The fellowship stipend is taxable – therefore the PDF may need to start making estimated tax payments directly to IRS and state. 9. Tax forms issued by MIT at end of year: --*PDA income*: W-2. --*PDF income*: none; PDF is responsible for reporting stipend income to IRS and state. 10. It is not necessary for PDF to submit tax withholding forms (W-4/M-4), since no taxes are withheld.	Same as #1 – 5, at left, plus: Tax Ramifications: 1. Federal tax will continue to be withheld, but at the applicable PDF flat rate (14% or 30%). 2. Since federal taxes are withheld at flat rate, PDF does not need to submit tax withholding forms (W-4, M-4). 3. The fellowship stipend is not subject to Social Security and Medicare taxes -- therefore these are no longer withheld. 4. The fellowship stipend is taxable, therefore the PDF may need to start making estimated tax payments directly to the state. 5. A different (or no) tax treaty may apply. PDAs who claimed a tax treaty should submit a Fellowship tax treaty form (if available) to HR/Payroll in order to claim a Fellowship tax treaty exemption. 6. Tax forms issued by MIT at end of year: --*PDA income*: 1042S and/or W-2. --*PDF income*: One or more 1042S forms.
PDF to PDA	1. Becomes an MIT employee and eligible for employee benefits (if eligibility requirements are met). 2. If enrolled in an employee health plan as a PDF, may continue at employee rates with pre-tax benefit. Payment via payroll deduction. Tax Ramifications: 3. Taxed as an employee: federal, state, Medicare and Social Security taxes will be withheld. 4. PDA should submit tax withholding forms (W-4/M-4) to HR/Payroll, if possible, by HR/Payroll's Monthly Employment Transactions cutoff date for the month of their first PDA payment. (Example: by September 21 for the September 30, 2010 paydate.) If they don't, the withholding for that month's payment could be higher than if the PDA had submitted the forms. 5. As PDF, may have already made estimated tax payments to the IRS and state. HR/Payroll calculates withholding each month based on that month's payment, irrespective of estimated payments the PDF may have made. At the end of the calendar year, any difference between taxes withheld and taxes owed can be rectified on their tax return. 6. Tax forms issued by MIT at end of year: --*PDA income*: W-2 --*PDF income*: none; PDF is responsible for reporting stipend income to IRS and state	Same as #1 – 2, at left, plus: Tax Ramifications: 1. Federal tax withholding will be adjusted from a flat PDF rate to the applicable graduated rate. 2. State, Social Security, and Medicare (FICA) taxes will be withheld. 3. PDA should submit tax withholding forms (W-4/M-4) to HR/Payroll. Please see #4 at left for information on timing. 4. As PDF, may have already made estimated tax payments to the state. Please see #5 at left for more information. 5. A different (or no) tax treaty may apply. PDFs who claimed a tax treaty should submit a Teacher/Research or Student Practical Training tax treaty form (if available) to HR/Payroll in order to claim a PDA tax treaty exemption. 6. Tax forms issued by MIT at end of year: --*PDA income*: 1042S and/or W-2. --*PDF income*: One or more 1042S forms.

Please note that MIT can only provide general information and cannot provide you with specific information about your individual tax situation.

Differences Between PDAs and PDFs

11/02/2010 V4

	PDA - Post-Doctoral Associate	PDF - Post-Doctoral Fellow
Employment Status Note1	• MIT employee • Paid monthly salary by MIT.	• Not an MIT employee • Receives monthly stipend from US or foreign source of funding disbursed by HR/Payroll.
Benefits	• Eligible for employee benefits (if requirement are met), including health and welfare, vacation (if appointment >= 12 mos), retirement, life insurance, etc. • Benefits deductions taken from monthly pay, and have pre-tax benefit.	• Not eligible for employee benefits, except dental and vision (at higher rate than employees), if requirements are met • May participate in MIT affiliate health plan, billed by MIT Medical • Dental and vision plans, if elected, are billed by HR/Payroll Accounting
Taxes Note 2	Taxed as an employee, meaning federal, state, Social Security and Medicare (FICA) taxes are withheld. Income and withholding is reported by MIT to tax authorities (IRS, state). **U.S. Citizens**: • Tax form issued: **W-2** **Foreign Nationals on Visas (Non-Resident Aliens):** • A Teacher/Researcher or Student Practical Training tax treaty may apply Note2 • Federal withholding for non-resident aliens (NRAs) is higher than for U.S. citizens, to adjust for the fact that NRAs do not get standard deductions. (SAP annualizes the pay, then adds a premium amount. Graduated tax rates are then applied.) • Certain visas may have a FICA exemption, which SAP handles automatically when the visa type is entered. No paperwork is required from the PDA to claim this exemption. • Tax forms issued: --NRA PDAs without a tax treaty: **W-2** --NRA PDAs with a tax treaty: ○ **1042s** – for amount up to tax treaty exemption limit (if there is one) ○ **W-2** – issued in addition to 1042s for amounts in excess of tax treaty exemption limit	Monthly fellowship stipend is subject to federal and state taxes but not Social Security or Medicare taxes. See Note 3. However, the IRS considers fellowship stipends "unearned income". This means that MIT (the disbursing agent) is not allowed to withhold income taxes from stipends, with the exception of foreign nationals on visas (non-resident aliens). **U.S. Citizens**: • No state or federal tax is withheld. • PDF may need to make estimated tax payments directly to the IRS and state. • Stipend income not reported by MIT to IRS or state. • No **W-2** form is issued. **Foreign Nationals on Visas (Non-Resident Aliens):** • A Fellowship tax treaty may apply. Note2 • Federal tax is withheld at a flat rate depending on visa (14% J-1 & F-1; 30%-all other visas). • State tax is *not* withheld. • PDF may need to make estimated tax payments directly to the state. • Stipend payments and federal withholding is reported by MIT to IRS. • Tax forms issued: --NRA PDFs without a tax treaty: **1042s** --NRA PDFs with a tax treaty: ○ **1042s** – for amount up to tax treaty exemption limit (if there is one) ○ An additional **1042s** issued for amounts in excess of tax treaty exemption
Distribution	GL accounts: • Full EB: 400180 (on) or 400185 (off) • Reduced EB: 400181 (on) or 400181 (off)	GL account: 400315 – No EB
Voluntary Deductions	Voluntary deductions, e.g. parking, credit union, etc., may be taken if elected by the employee.	Voluntary deductions, e.g. parking, credit union, etc., may be taken if elected by the fellow.

Note 1: Partial Appointments: An individual may hold two partial appointments as PDF and PDA; PDF may be supplemented via a PDA appointment – for example, 80% PDA and 20% PDF. In that case, the larger percentage rules, i.e., determines benefits eligibility. In APR, the appointment with the greater percentage should be created first. If the percent is 50/50, then for benefits purposes an APR new hire action should be entered first for the PDA position. After the PDA appointment is processed, the 50% PDF appointment should be created as an additional appointment. If the PDA appointment is not created first, the benefits will not be correct. If this happens, please contact HR/Payroll.

Note 2: Tax Treaties: PDAs or PDFs who are non-resident aliens may be eligible for a tax exemption under a U.S. tax treaty. There are different tax treaty forms for PDFs (fellows) and PDAs (employees), and some countries do not offer treaties for both categories. When switching from PDA to PDF or vice versa, a new tax treaty claim must be filed.

Note 3: Unlike graduate student fellows, post-doctoral fellows can't have "qualified" expenses that are tax exempt, because they already have their doctoral degree.

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