

Congrats on being awarded the T32 grant and being richer.....well at least it appears that way until you have to give a lot of it back to Uncle Sam!

It's always a good idea to review your paystubs and make sure you're being paid at the correct level.

<http://wolverineaccess.umich.edu> (make sure you use internet explorer, not google chrome, as the site works better with the former)

-Click on Faculty and Staff

-Under Employees section, click on "Employee Self Service"

-Log in with Level 1 credentials

-Under Self Services section, click on Payroll and Compensation → click View Paycheck

-Another helpful way of looking at things: Click Self Services → Employment Information → View Appointment

Here's the gist of how you are paid:

-Before July 1 (before being on the T32 grant), you were being paid 100% full time employee (FTE) rate thru UM via your ACGME accredited training program with federal and state taxes being withheld at the usual amounts.

-After July 1 (now officially on T32), you are being paid primarily under the T32 grant. You should know the exact amount of the yearly T32 stipend.

However, this is much less than what a clinical trainee should be making at Michigan Medicine under the HOA Agreement, so you are owed the differential.

However, what Michigan Medicine does, if you compare your paystubs, is only withhold federal and state taxes on what MM is paying you (i.e. the 24% FTE portion of your paycheck) but DO NOT withhold anything that the NIH is paying you through the T32. Unfortunately, ALL of the T32 grant funds is considered taxable income.

Essentially, you need to estimate the total amount of both federal and state taxes for the year that are not being withheld from your paycheck and then pay the minimum amounts at quarterly deadline dates that are pre-specified by the IRS.

So, these are the websites you need to know and love:

1.) www.irs.gov

2.) <http://www.michigan.gov/treasury/>

*Recommend using Internet Explorer when navigating both of these websites

Find the 2021 Estimated Schedule (ES) worksheets for both the IRS and Michigan to calculate the estimated total taxes you owe for the year. The worksheet is completing an abbreviated form of an actual 1040 where you are trying to figure out your Adjusted Gross Income and then after doing the math after standard deductions, determine the total taxes you owe for the year to both the IRS and Michigan. The quarterly deadlines are the same every year (Apr 18, Jun 15, Sep 15, Jan 17)

Things to keep in mind:

- When figuring out your minimum quarterly payments, take into account what you have already withheld (i.e. already paid to the IRS). For 2021 taxes, you are only underpaying for 6 months to the IRS and State of Michigan (because the training grant officially takes effect on July 1 of each

year). Figure out what you have already withheld in the previous 6 months and the total small amount you expect to be withholding from the percent MM is supplementing you for the next 6 months (you can figure this out from your paystubs).

- In your case, since you have missed the Apr and Jun quarterly deadline, split the total amount of taxes you are now underpaying between the Sep and Jan deadlines.
- Likewise, when you file 2022 taxes (i.e. next year), you will need to calculate how many months you are underpaying while on the T32 (which at minimum will be 6 months unless the fellowship program renews you for another year starting July 1, 2022 in which case you will be underpaying for a full 12 months in 2022 and another 6 months in 2023.
- A good rule of thumb to remember is that you will not get penalized by the IRS as long as you pay at least 100% of the previous year's total taxes. So, you can look at the Total Tax line on your 2020 IRS 1040 and also 2020 MI-1040 and use that as your starting point of the minimum you need to pay for the 2021. Obviously, you may still owe a little more when you actually file your 2021 taxes due to the increase in salary from the change in PGY status, but at least you will avoid an extra penalty for having made the appropriate ES payments.
- You have the option of paying by mail (in which case you need to create ES pay stubs which the worksheet gives you) or electronically on the IRS and Michigan Treasury websites.
- **ALWAYS KEEP RECORDS OF THE CONFIRMATION PAGES FOR EVERY TRANSACTION YOU MAKE AND FOLLOW UP THAT THEY ARE DEDUCTED FROM YOUR BANK ACCOUNT AS THERE HAVE BEEN TIMES A TRANSACTION MAY NOT HAVE PROCESSED DUE TO SOME ERROR AND THEN YOU ARE LEFT TO BLAME FOR A MISSED PAYMENT (IRS AND MICHIGAN TYPICALLY TELL YOU IF THIS HAPPENS BUT NOT FOR A WEEK OR TWO BY SNAIL MAIL!!!).**
- You need to stay on top of this. NO ONE (including the IRS and Michigan Treasury) will remind you to do any of this. They just expect you to get this done.
- Remember, the IRS and Michigan expect you to make minimum payments at quarterly intervals they specify. However, this doesn't mean you can't make prorated payments at any time if you don't like paying the larger amounts by the due dates. The critical thing is you are paying at least the minimum (or something) by the specified quarterly dates.
- Even though the final payment of the fiscal year is not due until January of the following year, the HOA's tax account advised to make the final payments to both IRS and Michigan before January 1, as this ensures that your records reflect the total amount you paid when you end up filing your 2021 taxes.