

**Why are there tax withholdings on my tuition waiver?**

All Graduate tuition and fee waivers are taxable unless exempt under the Internal Revenue Code(IRC).

Under the Educational Assistance Plan, Internal Revenue Code (IRC) §127, \$5,250 per calendar year (January to December) in graduate tuition fee waivers provided to benefits eligible employees and graduate assistant (GAs) are excluded from taxable income. If the amount of the fee waiver exceeds \$5,250, the excess is deemed income under the IRC and taxed accordingly.

**Don't you realize you're creating a financial hardship for me?**

We understand the additional withholding may create a hardship, unfortunately, we are required by law to withhold any applicable income and employment taxes.

**Are there individuals who are allowed to exclude their graduate tuition waivers from their income?**

IRC allows the exemption from taxation of tuition waivers above \$5,250 for individuals whose education is job-related (§132) or graduate students conducting teaching or research activities (§117). The University considers a Graduate Teaching Assistant or Graduate Research Assistant as a graduate student who is involved in the following teaching or research activities:

**TEACHING:** For University tax purposes, teaching activities may include, but are not limited to, the following: providing or coordinating classroom and/or artistic instruction, including lab or discussion sessions, tutoring students, grading exams and assignments, proctoring exams, and developing instructional materials.

**RESEARCH:** For University tax purposes, research activities may include, but are not limited to, the following examples of applying and mastering research concepts, practices, or methods of scholarship: conducting experiments; organizing or analyzing data; presenting findings; collaborating with others in preparing publications; and conducting institutional research for an academic or administrative unit.

**Is this a change in University policy?**

No. Under federal tax law, a University employee who receives a graduate level tuition waiver in excess of \$5,250 in a calendar year must treat the excess amount as additional taxable income (unless exempt as noted above). As a result, the University is required to withhold tax on the excess amount of the tuition waiver and report this amount on Form W-2.

**When will the tax withholding start? How much is the withholding?**

Federal and State taxes will be withheld on the combined taxable wages and fee waiver value using the appropriate tax rates and the employee's signed W-4. To help relieve the tax burden on the employee, the taxable value of the waiver will be allocated to employee checks based on the following schedule:

- Spring Semester – April (1/2), May (1/2)
- Summer Semester – July or August
- Fall Semester – November (1/2), December (1/2)

**How will the fee waiver be identified on my paycheck?**

The Taxable Graduate Waiver on the employee's pay statement will be denoted in the Earnings Section by the earning code 'Tuition' (TUI).

**Is it possible that the tax withholding will result in my take home pay in the pay periods to be significantly reduced or reduced to zero?**

Yes. Your tax liability may result in a zero paycheck depending on the value of your waivers and the pay you receive for the services you perform for the University.

**Who should I contact if I have specific questions?**

If you have any questions regarding the taxability of your waiver, please contact the Payroll Office, 438-7677.