

## Taxability of Graduate Tuition Waivers for Employees FAQ's

All employees are encouraged to track their tuition remission benefit for the year and plan accordingly. It is important that you understand how this affects your income and your paycheck prior to enrolling in courses.

### **Why are tuition waivers taxed?**

Taxable fringe benefits are defined in IRS Publication 15B and the Internal Revenue Code §127. Graduate tuition waivers which exceed \$5,250 per **calendar year** are subject to federal income tax withholding.

### **When are the taxes withheld from my paycheck?**

Graduate tuition waivers in excess of \$5,250 will be added as taxable compensation on the last December paycheck each year and subject to applicable payroll tax withholding which will be deducted according to your withholding election on your latest Form W-4. As a result, this amount will be included in the taxable income reported on your Form W-2.

### **What happens when taxes that are withheld?**

The additional taxable income and taxes are withheld and deducted according to your election on your latest Form W-4 and are also reported on the W-2 form at year-end.

The table below shows an example of how the taxable tuition waivers affect your paycheck. **The amounts and rates below are for example purposes only.**

| Term   | Waivers Applied  |
|--|------------------|
| Spring 2016 (January 2016 - May 2016)  | \$ 2,550.00      |
| Summer 2016 (June 2016 - July 2016)  | 2,655.00         |
| Fall 2016 (August 2016 - December 2016)  | 2,655.00         |
| <b>Total Waivers</b>   | <b>7,860.00</b>  |
| Limit  | 5,250.00         |
| <b>Taxable Amount</b>  | <b>2,610.00</b>  |
| Rates used for calculation below are for a monthly employee who has selected single and zero allowances on Form W-4. |                  |
| Federal Income Tax   | 332.00           |
| Social Security Tax  | 161.82           |
| Medicare Tax   | 37.85            |
| <b>Total Amount to Withhold</b>  | <b>\$ 531.67</b> |

### **Who should I contact with questions regarding tuition waivers?**

For eligibility questions, application for and approval of tuition waivers, please call the Office of Human Resources at (210) 829-6083 or via email at \_\_\_\_\_.

For questions regarding application of tuition waivers applied to your student account, please contact the Office of Financial Aid at (210) 829-3911 or via email at \_\_\_\_\_.

For questions regarding graduate-level tuition benefits and taxable wages, please call the Comptroller's Office at (210) 283-5009 or via email at \_\_\_\_\_.