

## **Frequently Asked Questions**

### **Taxable Benefit - Graduate Assistant Tuition Waivers**

#### **Why are graduate level tuition waivers taxable?**

All graduate tuition waivers are taxable unless exempt under the Internal Revenue Code.

Under the University's Educational Assistance Plan that is in compliance with Internal Revenue Code (IRC) §127, up to \$5,250 per calendar year in tuition waivers associated with Graduate Assistantships or graduate level classes taken by employees are excluded from taxable income.

If the amount of the tuition waiver exceeds \$5,250 in a **calendar** year, the University is required to report the excess (any amount over \$5,250) as income and withhold the applicable income taxes. The applicable tax laws and regulations govern the University's responsibility to withhold income taxes on the taxable portion of tuition waivers.

#### **Are there any graduate level waivers that are excluded from taxation?**

The Internal Revenue Code §117 exempts tuition waivers for graduate assistants conducting teaching or research activities. The University considers a Teaching Assistant or Research Assistant as a graduate student who is involved (50% or more of their position) 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 instruction, including lab or discussion sessions; tutoring students; grading tests and assignments; developing instructional materials; providing artistic instruction; accompanying/coaching musical or vocal performances; and proctoring exams.

**Research:** For University tax purposes, research activities may include, but are not limited to, the following: 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.

#### **How much is the withholding?**

If you hold a Graduate Assistantship, the value of the waiver that exceeds \$5,250 will have a tax withholding the same rate as your federal W-4 withholding and 5% for state tax.

### **What happens to the taxes that are withheld?**

The taxes that the University withholds are forwarded to the respective governmental agencies and credited to your income tax withholding. Both the amount of taxable income reported from the waiver and the taxes withheld by the University are reported on Form W-2.

### **The tuition waiver does not come in the form of a payment to me. How will the withholding be made?**

When the value of the tuition waiver exceeds \$5,250 in a calendar year, the excess is includable as taxable income as a non-cash earning. This means you will not see a pay increase in your check, but rather the excess waiver amount is added to your regular earnings. When the earnings are added to your pay, the University must calculate and withhold the appropriate income taxes. The University will allocate the taxable tuition waiver over multiple payrolls in order to reduce the tax withholding amount on one pay period.

### **Are undergraduate-level courses counted toward the graduate level \$5,250 annual exclusion?**

Yes. Graduate tuition remission is not covered under section 117(d) of the Internal Revenue Code, which fully excludes undergraduate coursework. Graduate tuition remission is, instead, covered under section 127 of the Code, which sets an annual limit of \$5,250 for the exclusion of employer-paid tuition expenses for both undergraduate and graduate coursework. Therefore, all coursework taken by a graduate student, regardless of the level, counts toward the annual exclusion.

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

If you have questions about how the amount was computed, please first review the waivers posted to your account for the year.

If you have questions about your Graduate Assistantships please contact with the Graduate School at (618)453-4555.

If you have questions about your payroll withholding, please contact Payroll Office at (618)453-3392.

Attribution: This document was adapted from the University of Illinois at Chicago.