

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 your paycheck(s) at the end of each year and are subject to applicable payroll tax withholding which will be deducted according to your withholding election on your latest Form W-4. 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 2022 (January 2022 - May 2022)	\$ 3,090.00
Summer 2022 (June 2022 - July 2022)	3,150.00
Fall 2022 (August 2022 - December 2022)	3,150.00
Total Waivers	9,390.00
Limit	5,250.00
Taxable Amount	2,610.00
Rates used for calculation below are for a monthly employee who has selected single and zero allowances on Form W-4.	
Federal Income Tax	526.00
Social Security Tax	256.68
Medicare Tax	60.04
Estimated Total Amount to Withhold	\$ 842.72