

Tuition Remission & Your Taxes

The Tuition Remission value for graduate level classes is considered to be additional taxable earnings to you by the Internal Revenue Service. Taxation does not apply to undergraduate courses.

Employees are exempt from \$5,250 each calendar year. Employees must pay tax on all graduate level Tuition Remission which their spouse receives. The tax is deducted from employee paychecks according to the following schedule:

| Semester | Months of Taxation |
|----------|----------------------------|
| Spring | February through May |
| Summer | June through August |
| Fall | September through December |

Example – Employee taking Graduate Level Classes

Jennifer is taking 12 hours of graduate level classes in the Fall semester 2018. She has already taken 12 hours of graduate level classes in the Spring semester 2018. Her total Tuition Remission benefit for Spring 2018 was \$3,218 and for Fall 2018 is another \$3,218 (\$6,436 for calendar year 2018).

After deducting the \$5,250 exemption, \$1,186 remains to be taxed during the Fall semester months of September, October, November and December. Jennifer is paid semi-monthly, and the total taxable amount is divided equally over the pay periods.

\$148.25 is the additional amount that will be added as taxable income to Jennifer's paycheck each pay period (\$1,186/8 pay periods). She will see a notation on her Pay Statement in the Federally Taxable Benefits section. The line is titled "Graduate Fee Waiver Taxable" and shows the amount that is being taxed. This is not the amount that is deducted from her paycheck! The taxes deducted are part of the "Taxes" in the Benefits, Deductions and Taxes section. They are not shown on a separate line. See the example paycheck at the bottom of this document.

Example 2 – Spouse of employee taking 9 credit hours in the Spring semester

Jason’s spouse is taking 3 graduate level classes in the Spring semester 2018. The total Tuition Remission for Spring 2018 is \$2,438. There is no annual exemption for spousal Tuition Remission. Therefore, the entire \$2,438 is taxable during the Spring semester months of February, March, April and May.

\$304.75 is the additional amount that will be added as taxable income to Jason’s paycheck each pay period ($\$2,438/8$). He will see a notation on his Pay Statement in the Federally Taxable Benefits section. The line is titled “Graduate Fee Waiver Taxable” and shows the amount that is being taxed. This is not the amount that is deducted from his paycheck! The taxes deducted are part of the “Taxes” in the Benefits, Deductions and Taxes section. They are not shown on a separate line.

Pay Statement Example

Benefits, Deductions and Taxes

| Benefits and Deductions | Employee | Employee YTD | Employer | Employer YTD | Applicable Gross | Applicable Gross YTD |
|--------------------------------------|-----------------|-------------------|-----------------|-------------------|------------------|----------------------|
| Deductions before Federal Tax | | | | | | |
| BeWell Premium Discount | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,172.98 | \$18,999.02 |
| Dental Pre-Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,172.98 | \$18,999.02 |
| Gap Pre-Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,172.98 | \$18,999.02 |
| Health Plan Pre-Tax POS | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,172.98 | \$18,999.02 |
| Parking Decal | \$20.00 | \$40.00 | \$0.00 | \$0.00 | \$2,172.98 | \$3,547.98 |
| TIAACREF Required 6% Pre-Tax | \$96.78 | \$921.78 | \$161.30 | \$1,536.30 | \$1,612.97 | \$15,362.97 |
| Vision Pre-Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,172.98 | \$6,297.98 |
| Taxes | | | | | | |
| Arkansas State Income Tax | \$86.58 | \$727.48 | \$0.00 | \$0.00 | \$2,059.57 | \$18,054.96 |
| Arkansas Unemployment | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$1,612.97 | \$15,362.97 |
| Federal Income Tax | \$152.77 | \$1,098.12 | \$0.00 | \$0.00 | \$2,059.57 | \$18,054.96 |
| FICA Medical | \$31.26 | \$275.16 | \$31.26 | \$275.16 | \$2,156.35 | \$18,976.74 |
| FICA OLD AGE | \$133.70 | \$1,176.56 | \$133.70 | \$1,176.56 | \$2,156.35 | \$18,976.74 |
| Medicare High Earnings | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$2,156.35 | \$18,976.74 |
| Deductions after Federal Tax | | | | | | |
| Long-Term Dis Taxable Premium | \$0.00 | \$0.00 | | | \$1,612.97 | \$8,487.97 |
| UCA Employer Paid Life Ins | \$0.00 | \$0.00 | \$2.21 | \$13.26 | \$1,612.97 | \$8,487.97 |
| Worker's Compensation | \$0.00 | \$0.00 | \$2.90 | \$15.30 | \$1,612.97 | \$15,362.97 |
| Total: | \$521.09 | \$4,239.10 | \$334.74 | \$3,034.30 | | |

Federally Taxable Benefits

| Benefit | Amount | YTD Amount |
|-------------------------------|----------|------------|
| Graduate Fee Waiver Taxable | \$560.01 | \$3,636.05 |
| Imputed Tax | \$0.00 | \$0.00 |
| Long-Term Dis Taxable Premium | \$3.37 | \$17.72 |