

St. John Fisher College – Graduate Tuition Remission and Taxability Frequently Asked Questions

Why is graduate level tuition remission taxable?

All graduate tuition remission is taxable unless exempt by the Internal Revenue Code. Under Internal Revenue Code (IRC) §127, if the amount of the tuition remission exceeds \$5,250 in a calendar year, the College is required to report the excess tuition remission benefit (i.e., any amount over \$5,250) as income and withhold the applicable income taxes.

How much is the tax withholding?

The value of the graduate tuition remission that exceeds \$5,250 will be taxable and taxes will be withheld based on the withholding status identified on federal form W-4 withholding and form NY IT-2104 for New York state tax submitted to the Payroll Department. Your withholding status can be changed at any time through the submission of new documents to the Payroll Department.

What happens to the taxes that are withheld?

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

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

When the value of the graduate tuition remission exceeds \$5,250 in a calendar year, the excess “value” of the tuition benefit is includable in your taxable income as non-cash earnings and the excess waiver amount will be added to your regular earnings. Based on the combined earnings amount, the College will calculate and withhold the appropriate income taxes.

The College will attempt to estimate the total calendar year taxable tuition income and allocate the amount equally over the payrolls remaining in the calendar year to minimize the impact of the per payroll withholding.

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. Though unlikely, your tax liability may result in a zero paycheck depending on the value of your tuition waivers, the timing of any notification to the Payroll Department, course load, and the pay you receive for the services you perform for the College.

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

Yes. 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 your job description and/or interpretation of the taxation of your tuition waiver, please contact Human Resources at extension 8048.

If you have questions about how the taxable amount of your tuition waiver was computed, please contact Mary Powley in the Payroll Office at extension 8057.