

**Washington University
Taxation of Employee Non-Job-Related Tuition**

IMPORTANT TAX INFORMATION

Under federal tax law, non-job-related graduate level tuition assistance in excess of \$5,250 per calendar year constitutes taxable income to a University employee enrolled as a student of the University. This is applicable to tuition assistance in the form of tuition remission and to any tuition reimbursements.

<u>Example – Amount considered taxable:</u>	
Total graduate tuition this calendar year	\$20,000
Employee benefit	<u>50%</u>
Total graduate tuition assistance provided	\$10,000
Percentage considered non-job-related	<u>75%</u>
Amount considered non-job-related	\$ 7,500
Annual exclusion	\$(5,250)
Amount taxable to employee	\$ <u>2,250</u>
<p>In this example, \$2,250 would be added to the employee’s taxable income for the year. The employee’s net pay is then reduced by the amount of the taxes applicable to the taxable amount (including federal, state and FICA). The amount of taxes withheld depends upon the employee’s tax bracket and W-4 preferences.</p> <p>To ease the impact on the employee’s net pay, the tax withholding may be spread over a four month period if applicable to the spring or fall semester’s taxable tuition, or over a two month period if applicable to the summer semester’s taxable tuition.</p>	

All tuition assistance for undergraduate courses taken by employees, spouses and dependent children is provided on a tax-free basis under current federal tax law. However, undergraduate tuition assistance for an employee’s domestic partner is considered taxable under current state law in Missouri and Illinois.

The University has no provision for tuition assistance for non-job-related courses (undergraduate or graduate) to any other college or university.

Summary:

Student	Type of course	Taxable to Employee
Employee	Undergraduate	No
Employee	Graduate – job-related	No
Employee	Graduate – non-job-related	Yes, in excess of \$5,250 per year
Spouse	Undergraduate	No
Domestic partner	Undergraduate	Yes
Dependent child	Undergraduate	No

IRS REPORTING AND WITHHOLDING INFORMATION

The University is required to report salary information to the IRS and to withhold for federal and state income taxes on employee paychecks. If the University provides taxable tuition assistance to an employee in a graduate level program, the University must report salary information to the IRS and will calculate the withholding amount as though the tuition assistance were included in the employee’s income.¹

¹ The employee is always free to take the position on his or her individual income tax return (Form 1040) that the tuition assistance does not constitute taxable income. Please consult your tax advisor or IRS Publication 508.

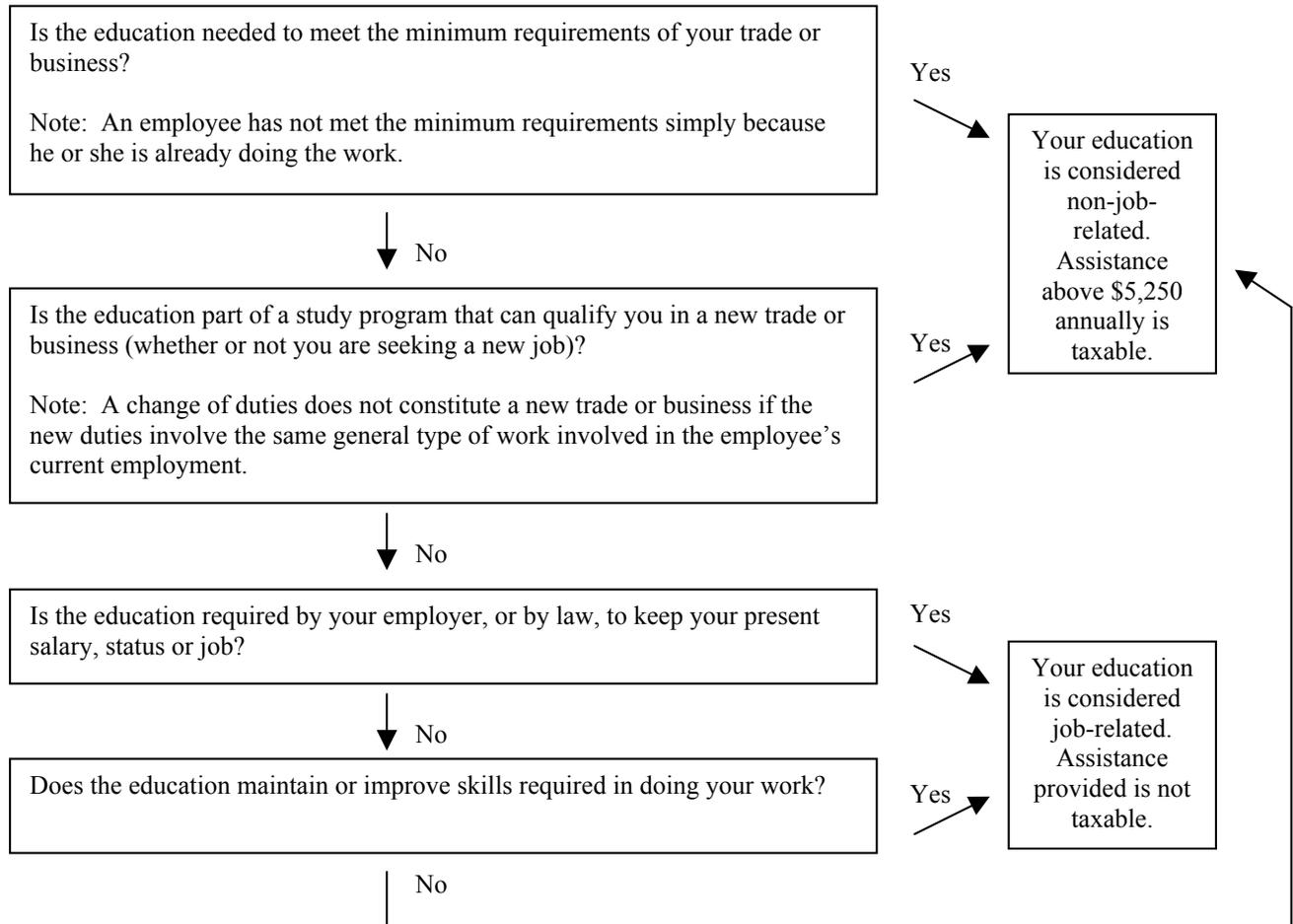
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(Continued)**

PENALTIES FOR FALSE STATEMENTS

The University relies upon the accurate and true responses of both the employee and his or her manager in order to comply with applicable tax laws. Any misrepresentation and/or false statements by the employee or manager may result in sanctions, up to and including termination of employment, and/or civil or criminal penalties.

DETERMINATION WHETHER TUITION ASSISTANCE IS JOB-RELATED OR TAXABLE INCOME:

The following is adapted from IRS Publication 508:



Note: Each course needs to be evaluated individually. A full curriculum of studies, such as an MBA program, can not be determined to be job-related. For example, if you are an accountant studying for an MBA and are required to take a marketing class, it is not likely that class will be job-related.