

TAXATION OF GRADUATE ASSISTANTS TUITION WAIVERS

Frequently Asked Questions

Why are there tax withholdings on my tuition waiver?

All graduate tuition and fee waivers are taxable unless exempt under the Internal Revenue Service (IRS) Code.

Under the University's Graduate Student Assistantship Plan that is in compliance with IRS Code §127, \$5,250 per calendar year (January to December) in tuition and service fee waivers associated with Graduate Assistantship (GA) appointments are excluded from taxable income. If the amount of the tuition and service fee waiver exceeds \$5,250, the excess (the amount above \$5,250) is deemed taxable income under IRS Code and taxed accordingly.

Is this a change in University policy?

No. Under federal tax law, a university employee who receives a graduate school tuition waiver in excess of \$5,250 in a calendar year must treat the excess amount as additional taxable income (unless exempt as noted below). As a result, the University is required to withhold tax on the excess amount of the tuition waiver for Graduate Service Assistants (GSAs) and report this amount on the W-2. However, tuition waivers for certain service assistantships may be tax exempted under IRS Code §132 and Treasury Regulation 162(a) which allows education benefits from employers to be tax exempted for certain courses of study.

Are all GA positions included in this IRS Code or are some assistantships allowed to exclude their graduate tuition waivers from their income?

IRS Code §117 exempts teaching (GTA) and research (GRA) graduate assistant tuition from being taxed. Therefore, the tuition and service fee waivers that exceed \$5,250 are not taxable for teaching and research GAs. Non-teaching/research GAs, that is GSAs, were specifically excluded from this exclusion thereby making the tuition waiver related to these assistantships taxable.

The University considers a GTA or GRA as a graduate student who is involved 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; 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 examples of 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.

What is the Graduate Assistant Position Description form and who must complete it?

The purpose of the Graduate Assistant Position Description form is to determine the type of graduate assistantship and then determine if the assistantship is taxable or exempted. If the GA is teaching or research, then it is exempted by definition under IRS Code §117. If the GA is a service assistantship, then the “Assistantship Duties and Responsibilities” are designed to allow the University to determine if the assistantship is taxable or exempted under Treasury Regulation 162(a) by comparing the duties of the assistantship to the course of study.

The Graduate Assistant Position Description form must be completed for each graduate assistantship position. Every department or unit employing a graduate assistant(s) must complete a form for each position. Failure to complete the form may result in the position being classified as a service assistant and not exempt from the taxation.

When will tax withholding start?

Beginning with your March 2012 paycheck, the value of your tuition waiver above \$5,250 will be included in your taxable income. The tax withholding will start on that pay period.

What will be provided to me to show taxation of my tuition waiver?

Students whose tuition waiver and fees are taxed will receive a 1098T. The waiver and award will appear in Box 5 of the 1098T.

How much is the withholding?

If you hold a GAA, the value of the waiver that exceeds \$5,250 will have tax withholding of 30%.

What happens to the taxes that are withheld?

Both the amount of taxable income associated with the waiver and the taxes that the University withholds with respect to such income are reported on Form W-2. The taxes that the University withholds are forwarded to the IRS and credited to your tax liability for the year.

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. Your tax liability may result in a zero paycheck depending on the value of your waivers and the pay you receive for the services you perform for the University.

Who should I contact if I have specific questions?

Questions relating to compensation transactions may be directed to Dan Webb (425-4760) or Jina Johnson (425-4014) in the HR Office.

Questions relating to GA position classification may be directed to Office of the Graduate School, Dr. Randy Walker (425-4478).