

Employee Graduate Tuition Remission FAQ's

Q: Why is my graduate tuition remission taxable?

A: In general, IRS regulations consider anything of value provided to an employee by an employer to be a form of compensation. All compensation must be reported as taxable wages and is subject to income tax withholding, unless specifically excluded by the Internal Revenue Code. Under section 117(d) of the Internal Revenue Code, educational institutions offering a full reduction of tuition charges to employees, their spouses and dependent children for **undergraduate** coursework may exclude the value of this education from their employees' taxable wages. The exclusion under this section **does not extend to graduate coursework**.

Q: Is any of my graduate tuition excluded from taxes?

A: Section 127 of the Code allows all employers, whether or not they are an educational institution, to provide their employees with educational assistance for both undergraduate and graduate work. Employers may provide each employee with up to \$5,250 of graduate educational assistance per year on a tax-free basis. The tuition remission that the University offers employees for graduate-level education is eligible for this exclusion. The Internal Revenue Code requires that educational assistance in excess of the \$5,250 exclusion must be added to employees' taxable wages and employment taxes must be withheld.

Q: Will the Payroll Office automatically reduce my annual taxable tuition by \$5,250 each year?

A: Yes, the Payroll Office will track your tuition costs and reduce the taxable tuition amount with your first graduate tuition form for each calendar year. Once your tuition costs exceed the \$5,250 discount, all tuition costs will be added to your income as taxable compensation.

Example 1: You submit a graduate tuition remission form for the first time in the calendar year (spring) and the total amount of your tuition is \$6,000. The Payroll Office will reduce your taxable tuition by \$5,250 as per IRS regulations and your taxable tuition for this first term will be \$750. You then submit another tuition remission form for the next term in the calendar year (fall) and the total amount of your tuition is \$3,000. You have already used the allowed reduction of \$5,250 in your first tuition remission event for the calendar year, so your taxable tuition amount will be \$3,000 for this second tuition remission event. This reduction of \$5,250 is applied each calendar year.

Example 2: You submit a graduate tuition remission form for the first time in the calendar year (spring) and the total amount of your tuition is \$3,000. The Payroll Office can reduce your taxable tuition by \$5,250 each calendar year as per IRS regulations, so your taxable tuition for this first term will be \$0 and you will still have \$2,250 out of the \$5,250 available to use towards a future term during the calendar year. You then submit another tuition remission form for the next term in the calendar year (summer) and the total amount of your tuition is again \$3,000. You have already used \$3,000 of the allowed reduction of \$5,250 in the first term in the calendar year, so your taxable tuition amount will be reduced by \$2,250 and your taxable tuition for the term will be \$750. You then submit another tuition remission form for the next term in the calendar year (fall) and the total amount of your tuition is again \$3,000. You have used the full \$5,250 reduction allowed by the IRS, so your taxable tuition for the term will be \$3,000. This reduction of \$5,250 is applied each calendar year.

Q: Will the addition of taxable tuition to my pay impact my take home pay?

A: Yes, the Payroll Office will add the appropriate amount of taxable tuition to your pay over the course of the term in equal installments. This additional amount will increase your taxable income and you will see an increase in taxes deducted from your pay which will reduce your take home pay (net pay).

Example: Your normal gross wages for a pay period is \$2,000. After taxes and other deductions are applied, your take home pay (net pay) is \$1,600. Your taxable tuition for the term is \$3,000 and it will be applied to your pay each pay period over the course of the term - let's say there are 8 pay periods during the term. The Payroll Office will add \$375 to your taxable income each of the 8 pay periods (\$3,000 tuition divided by 8 pay periods). Unfortunately, you will not be able to see the taxable tuition amount on your paystub, but you can refer to the email you received from the Payroll Office for the amount applied. When the Payroll software calculates the taxes on your earnings, it will include the \$375 taxable tuition in the calculations and this will increase the taxes deducted from your pay. Your take home pay (net pay) will be less than your normal \$1,600 due to the increase in your tax deductions.

Q: Can I request an estimate of how much my take home pay (net pay) will be impacted?

A: No, the Payroll Office cannot provide an estimate of the change to your take home pay (net pay) because everyone's tuition amount, pay and tax allocations are different. The best estimate we can provide is that you can expect to see a 15% - 30% reduction in your take home pay (net pay) depending on the tuition amount, pay and tax allocations.

Q: What do I do if the reduction in my take home pay (net pay) is more than I can afford?

A: If the reduction in your net pay is more than you can afford, you can drop a course in order to reduce your taxable tuition. Follow the normal procedure for dropping a course and email us at payroll@newhaven.edu so we can work with the Human Resources and Bursar's Office to adjust your taxable tuition accordingly.

Q: If my take home pay (net) is reduced more than I can afford, can I request that the total amount of my taxable tuition be applied over more pay periods to reduce the impact?

A: No. The Payroll Office must apply the full amount of your taxable tuition to your pay over the course of the term only.

Q: What happens if I forget to submit my tuition remission form?

A: If you do not submit a tuition remission form to Human Resources through myCharger, you will not be eligible to participate in the employee graduate tuition remission program for the term. You will be required to pay for your tuition.

Q: What happens if I submit my tuition remission form late?

A: Tuition Remission Forms must be submitted to Human Resources through myCharger at least two weeks before the term begins. Forms not submitted on time may be rejected as per the tuition remission policy. If a late form is accepted and approved, the Payroll Office will begin to apply the taxable tuition to your pay as soon as possible over the remaining pay periods in the term. In order to spread the taxable tuition over the maximum number of pay periods in the term, it is important that your form is submitted on time or earlier.

Dependent Graduate Tuition Remission FAQ's

Q: Why is my dependent's graduate tuition remission taxable?

A: In general, IRS regulations consider anything of value provided to an employee by an employer to be a form of compensation. All compensation must be reported as taxable wages and is subject to income tax withholding, unless specifically excluded by the Internal Revenue Code. Under section 117(d) of the Internal Revenue Code, educational institutions offering a full reduction of tuition charges to employees, their spouses and dependent children for **undergraduate** coursework may exclude the value of this education from their employees' taxable wages. The exclusion under this section **does not extend to graduate coursework.**

Q: Is any of my dependent's graduate tuition excluded from taxes?

A: No. All graduate tuition remission for dependents is taxable

Q: Will the addition of taxable tuition to my pay impact my take home pay?

A: Yes, the Payroll Office will add the appropriate amount of taxable tuition to your pay over the course of the term in equal installments. This additional amount will increase your taxable income and you will see an increase in taxes deducted from your pay which will reduce your take home pay (net pay).

Example: Your normal gross wages for a pay period is \$2,000. After taxes and other deductions are applied, your take home pay (net pay) is \$1,600. Your dependent's taxable tuition for the term is \$3,000 and it will be applied to your pay each pay period over the course of the term - let's say there are 8 pay periods during the term. The Payroll Office will add \$375 to your taxable income each of the 8 pay periods (\$3,000 tuition divided by 8 pay periods). Unfortunately, you will not be able to see the taxable tuition amount on your paystub, but you can refer to the email you received from the Payroll Office for the amount applied. When the Payroll software calculates the taxes on your earnings, it will include the \$375 taxable tuition in the calculations and this will increase the taxes deducted from your pay. Your take home pay (net pay) will be less than your normal \$1,600 due to the increase in your tax deductions.

Q: Can I request an estimate of how much my take home pay (net pay) will be impacted?

A: No, the Payroll Office cannot provide an estimate of the change to your take home pay (net pay) because everyone's tuition amount, pay and tax allocations are different. The best estimate we can provide is that you can expect to see a 15% - 30% reduction in your take home pay (net pay) depending on the tuition amount, pay and tax allocations.

Q: What do I do if the reduction in my take home pay (net pay) is more than I can afford?

A: If the reduction in your net pay is more than you can afford, you can have your dependent drop a course in order to reduce your taxable tuition. Have your dependent follow the normal procedure for dropping a course and email us at payroll@newhaven.edu so we can work with the Human Resources and Bursar's Office to adjust your taxable tuition accordingly.

Q: If my take home pay (net) is reduced more than I can afford, can I request that the total amount of my taxable tuition be applied over more pay periods to reduce the impact?

A: No. The Payroll Office must apply the full amount of your dependent's taxable tuition to your pay over the course of the term only.

Q: What happens if I forget to submit my dependent's tuition remission form?

A: If you do not submit a tuition remission form to Human Resources through myCharger, your dependent will not be eligible to participate in the graduate tuition remission program for the term. You will be required to pay the tuition.

Q: What happens if I submit my dependent's tuition remission form late?

A: Tuition Remission Forms must be submitted to Human Resources through myCharger at least two weeks before the term begins. Forms not submitted on time may be rejected as per the tuition remission policy. If a late form is accepted and approved, the Payroll Office will begin to apply the taxable tuition to your pay as soon as possible over the remaining pay periods in the term. In order to spread the taxable tuition over the maximum number of pay periods in the term, it is important that your form is submitted on time or earlier.