

FAQs - Taxation on Administrative Graduate Assistant Tuition Waivers

Who will be impacted by the taxation of tuition waivers?

Those individuals who are classified as administrative graduate assistants. Research, teaching, and teaching support assistants are exempt from this taxation. Refer to your assistantship contract to determine your classification.

Why are graduate assistants being taxed on their tuition waivers?

This is required by federal law. Under Internal Revenue Service regulation (IRC 127), tuition waivers awarded to graduate assistants are to be considered taxable income once the total tuition waiver amount exceeds \$5,250. This means that graduate assistants who receive more than \$5,250 in tuition waivers in a calendar year must be taxed on the amount exceeding the allowable amount.

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 Administrative Assistants and report this amount on the W-2. However, tuition waivers for certain administrative 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 and research 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 administrative, were specifically excluded from this exclusion thereby making the tuition waiver related to these assistantships taxable. The University considers a TA or RA 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 an administrative 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.

How is the withholding amount determined?

The value of the tuition waiver exceeding \$5,250 is subject to withholding tax based on the completed W-4 on file with the Payroll Office. As such, the amount withheld may differ among graduate assistants. Questions should be directed to the Payroll Office, (618) 453-3392.

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

When the value of the tuition waiver exceeds \$5,250 in a calendar year, the excess is included as taxable income as non-cash earnings. This means you will not see a pay increase in your check, but rather the excess waiver amount is added to your regular earnings. When non-cash earnings are added to your assistantship stipend, the University must calculate and withhold the additional tax due.

The withholding will be spread over a few months in the regular semester-long contracts to minimize the impact of the deduction. If the \$5,250 tuition waiver amount is exceeded in the spring semester, withholdings will be taken from the March, April and May paychecks. If the \$5,250 tuition waiver amount is exceeded in the fall semester, withholdings will be taken from October, November, and December paychecks.

What happens to the taxes that are withheld?

Both the amount of taxable income associated with the waiver (amount exceeding \$5,250 in the calendar year) 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 those 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 assistantship stipend you receive for the services you perform for the University.

Who do I contact if I have questions concerning the taxation of graduate assistant tuition waivers?

Specific questions concerning withholdings may be directed to the Payroll Office at (618)453-3392. General assistantship questions may be directed to the Graduate School at (618)453-4555.