

Taxation of Faculty/Staff Tuition Waivers

A portion, or the entire value, of graduate level tuition waivers granted to faculty, staff, their spouses, and their dependents could be taxable and reportable income to employees. This policy does not apply to Graduate Teaching and Research Assistants. Graduate level waivers for employees and their spouses and dependents will be taxed according to the following Internal Revenue Service regulations:

Section 117(d) of the Internal Revenue Code

This section of the Code applies to employees of educational institutions, their spouses, and dependents. It provides for non-taxable tuition remission for all course work below the graduate level.

Section 127 of the Internal Revenue Code

This section applies to employees, their spouses, and dependents for graduate level course work. It provides for a \$5,250 exclusion from taxable wages **for employees only**. It does not provide any tax relief for spouses and dependents receiving tuition remission after they have received a baccalaureate degree.

Procedure for Employees:

Tuition waivers granted to **employees** matriculating in graduate programs and above are subject to taxation when the annual (calendar year) waiver amount posted to College records exceeds \$5,250.

Process:

For employees, FICA will be withheld during the calendar year in which the value of the taxable waiver exceeds the \$5,250 limit. The value of the taxable waiver will also be reported on year end W-2 Forms. The employee will be notified of the date of the paycheck that will reflect additional FICA withholding.

College billing records and/or invoices from the other state institutions will be used to determine the value of the tuition waiver. The value of dropped courses will be based on the College or University's refund policy. Rhode Island residency status identified at the time of the waiver approval will determine whether in-state or out-of- state amounts are posted to the system. It is in each employee's best interest, therefore, to abide by tuition validation rules as if they were paying customers, (drop courses on a timely basis and establish in-state residency status as appropriate.)

Questions on this issue should be directed to Susan Turcotte, Chief Accountant (sturcotte@ric.edu).