

# 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 Code.

Under the University's Educational Assistance Plan that is in compliance with Internal Revenue Code (IRC) §127, \$5,250 per calendar year (January to December) in tuition and service fee waivers associated with Graduate Assistantships (GAs) and/or Professional Graduate Assistantship (PGAs) appointments are excluded from taxable income. If the amount of the tuition and service fee waiver exceeds \$5,250, the excess is deemed income under the IRC and taxed accordingly.

## **Don't you realize you're creating a financial hardship for me?**

We understand the additional withholding may create a hardship, unfortunately we are required by law to withhold.

## **Are there Assistants who are allowed to exclude their graduate tuition waivers from their income?**

IRC §117 allows the exemption from taxation of tuition and fees waivers above \$5,250 for individuals conducting teaching or research activities. The University considers a Teaching Assistant (TAs) or Research Assistant (RAs) 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; providing artistic instruction; 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.

## **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 above). As a result, the University is required to withhold tax on the excess amount of the tuition waiver for GAs and PGAs and report this amount on Form W-2.

## **When will the tax withholding start?**

In order to reduce the tax impact on employee pay, the taxable portion will be spread out over a number of pays starting in November. If this start date changes, employees will be notified of the change.

## **How much is the withholding?**

The value of the waiver that exceeds \$5,250 will have a graduated withholding rate, based upon the employee's payroll tax structure. The taxes affected will be Federal, State, and local taxes.

## **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?**

If you have any questions regarding the taxability of your waiver, please contact the Payroll Department at:

- Phone: 419-530-8780
- Fax: 419-530-8787
- Email: [payroll@utoledo.edu](mailto:payroll@utoledo.edu)