

University of Rochester Graduate Tuition Assistance Benefits and/or Tuition Reimbursement for Non-Credit Courses Taxation Worksheet

(This does not constitute tax advice to employees and employees should consult their personal tax advisors).

Employee Graduate Tuition Assistance Benefits and/or Tuition Reimbursement for Non-Credit Courses

Ordinarily, graduate tuition assistance benefits and/or tuition reimbursement for non-credit courses up to \$5,250 in a calendar year are not taxable. Graduate tuition assistance benefits and/or tuition reimbursement for non-credit courses that exceed \$5,250 in a calendar year are **taxable wages** unless the course satisfies the requirements for a tax deductible job-related course under IRS rules.* Generally, a job-related course will satisfy these IRS requirements if it *maintains or improves skills for the individual's present job, or if the course meets the employer's express requirements for retaining the job, and the course is not part of a program that will qualify the individual for a new trade or business.* If you believe that your proposed graduate level course(s) and/or non-credit course(s) **satisfies the requirements for a tax deductible job-related course under IRS rules**, please complete the *University of Rochester Graduate Tuition Waiver/Reimbursement Tax Exemption Form* on **pages 5 and 6** of the *Employee Tuition Waiver/Reimbursement application* available online at www.rochester.edu/benefits/tuition (Please see Appendix A for a flow chart for Determination Whether Graduate Tuition Assistance Benefits and/or tuition reimbursement for non-credit courses Exceeding \$5,250 in a Calendar Year are Taxable). Return the application and the *University of Rochester Graduate Tuition Waiver/Reimbursement Tax Exemption Form* (if applicable) to the Tuition Benefits Office at Brooks Landing, Box 278955. If the *University of Rochester Graduate Tuition Waiver/Reimbursement Tax Exemption Form* is not received within 30 days from the start of the course(s), you will be taxed on the course(s). **For taxable tuition benefits, applicable Federal and State income taxes and FICA taxes (approximately 40.32% of the taxable tuition amount) will be deducted from the employee's paycheck when the waiver is approved or the reimbursement is paid to the employee.** In addition, the taxable income will be reflected on the W-2 for the calendar year when the actual tuition benefit is posted to the student's account or reimbursed to the employee. If you determine that your proposed graduate level course(s) and/or non-credit course(s) do not satisfy the requirements for a tax deductible job-related course under IRS rules, and you wish to manually calculate how much tax will be withheld from your paycheck(s), you can do so by following these steps:

1. Add up the amount of tuition for the graduate course and/or non-credit courses you will be taking during the *spring/winter* semester/quarter.

Example: 2 courses for \$3,330 each- $\$3,330 + \$3,330 = \$6,660$

2. **Deduct \$5,250** from the total amount of graduate tuition for the semester/quarter. This new total is the taxable amount of your employee tuition benefit for the *spring/winter* semester/quarter.

Example: $\$6,660 - \$5,250 = \$1,410.00$

3. Multiply the taxable amount by **40.32%** (the approximate rate of tax for Federal and State income taxes and FICA taxes). This new total is roughly equal to the amount of taxes that will be **deducted from your paycheck(s)** during the *spring/winter* semester/quarter.

Example: $\$1,410 \times 40.32\% = \568.51 (Estimated deduction from employee's paycheck)

4. Add up the amount of tuition for the graduate courses you will be taking during the *fall* semester/quarter.

Example: 2 courses for \$3,330 each- $\$3,330 + \$3,330 = \$6,660$. This entire total is the taxable amount of your employee tuition benefit for the *fall* semester/quarter.

5. Multiply the taxable amount by **40.32%** (the approximate rate of tax for Federal and State income taxes and FICA taxes). This new total is roughly equal to the amount of taxes that will be **deducted from your paycheck(s)** during the *fall* semester/quarter.

Example: $\$6,660 \times 40.32\% = \$2,685.31$ (Estimated deduction from employee's paycheck)

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Spouse Graduate Tuition Benefits

The employee will have imputed income equal to the value of the tuition benefit provided by the University for graduate courses. Applicable Federal and State income taxes and FICA taxes (approximately 40.32% of the taxable tuition amount) will be deducted from the employee's paycheck when the waiver is approved and the taxable income will be reflected on their W-2 for the calendar year when the actual tuition credit is posted to their spouse's account.

If you wish to manually calculate how much tax will be withheld from your paycheck(s) you can do so by following these steps:

1. Add up the amount of tuition for all the graduate courses your spouse will be taking during the *spring/winter* semester/quarter. This entire total is the taxable amount of your spouse tuition benefit for the *spring/winter* semester/quarter.

Example: 2 courses for \$3,330 each- $\$3,330 + \$3,330 = \$6,660$

2. Multiply the taxable amount by **40.32%** (the approximate rate of tax for Federal and State income taxes and FICA taxes). This new total is roughly equal to the amount of taxes that will be **deducted from your paycheck(s)** during the *spring/winter* semester/quarter.

Example: $\$6,660 \times 40.32\% = \$2,685.31$ (Estimated deduction from employee's paycheck)

3. Add up the amount of tuition for all the graduate courses your spouse will be taking during the *fall* semester/quarter. This entire total is the taxable amount of your spouse tuition benefit for the *fall* semester/quarter.

Example: 2 courses for \$3,330 each- $\$3,330 + \$3,330 = \$6,660$

4. Multiply the taxable amount by **40.32%** (the approximate rate of tax for Federal and State income taxes and FICA taxes). This new total is roughly equal to the amount of taxes that will be **deducted from your paycheck(s)** during the *fall* semester/quarter.

Example: $\$6,660 \times 40.32\% = \$2,685.31$ (Estimated deduction from employee's paycheck)