

St. John Fisher College – Graduate Assistant/Staff Associates Tuition Waivers and Taxability Frequently Asked Questions

Why are graduate level tuition waivers taxable?

All graduate tuition waivers are taxable unless exempt by the Internal Revenue Code. Under Internal Revenue Code (IRC) §127, if the amount of the tuition waiver exceeds \$5,250 in a calendar year, the College is required to report the excess tuition waiver benefit (i.e., any amount over \$5,250) as income and withhold the applicable income taxes.

Are there any graduate level waivers that are excluded from taxation above the IRC §127 amount?

Internal Revenue Code §117 exempts tuition waivers for graduate assistants conducting teaching or research activities. The College considers a Teaching Assistant or Research Assistant as a graduate student who is engaged (i.e., at a level of 50% or more of the total duties of the position) in the following teaching or research activities:

Teaching: For tax purposes, teaching activities may include, but are not limited to the following:

- teaching or assisting with one or more sections of a course;
- providing or coordinating classroom instruction, including lab or discussion sessions;
- holding regular office hours and tutoring students;
- grading tests, student papers, and assignments;
- developing instructional materials;
- running laboratory sessions;
- conducting study and review sessions; and
- proctoring exams

Research: For tax purposes, research activities may include, but are not limited to the following:

- applying and mastering research concepts, practices, or methods of scholarship;
- conducting experiments;
- organizing or analyzing data;
- presenting research findings;
- collaborating with others in preparing publications;
- reviewing literature and other library work;
- writing reports; and
- conducting institutional research for an academic or administrative unit

Human Resources will review and determine eligibility to be considered as a Teaching Assistant or Research Assistant in consultation with your Program Director and/or Dean, using the applicable job description. A Graduate Assistant job description must be completed by the respective school for each graduate assistantship position. Failure to complete the job description will result in the position being classified as non-exempt from the taxation.

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How much is the tax withholding?

If you are a Graduate Assistantship/Staff Associate, the value of the waiver that exceeds \$5,250 will be taxable and taxes will be withheld based on the withholding status identified on federal form W-4 withholding and form NY IT-2104 for New York state tax submitted to the Payroll Department. Your withholding status can be changed at any time through the submission of new documents to the Payroll Department.

What happens to the taxes that are withheld?

The taxes that the College withholds are forwarded to the respective governmental agencies and credited to your income tax withholding. Both the amount of taxable income reported from the waiver and the taxes withheld by the College are reported on Form W-2.

The tuition waiver does not come in the form of a payment to me, but I am paid for the services performed for the College. How will the withholding be made?

When the value of the tuition waiver exceeds \$5,250 in a calendar year, the excess “value” of the tuition benefit is includable in your taxable income as non-cash earnings and the excess waiver amount will be added to your regular earnings. Based on the combined earnings amount, the College will calculate and withhold the appropriate income taxes.

The College will attempt to estimate the total calendar year taxable tuition income and allocate the amount equally over the payrolls remaining in the calendar year to minimize the impact of the per payroll withholding.

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 tuition waivers and the pay you receive for the services you perform for the College.

The tuition waiver does not come in the form of a payment to me, and I am not paid for services performed for the College. How will the withholding be made?

When the value of the tuition waiver exceeds \$5,250 in a calendar year, the excess “value” becomes taxable tuition income to you and a Form 1099-MISC will be issued for the additional taxable income.

Are undergraduate-level courses counted toward the graduate level \$5,250 annual exclusion?

Yes. All coursework taken by a graduate student, regardless of the level, counts toward the annual exclusion.

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Who should I contact if I have specific questions?

If you have questions about how the taxable amount of your tuition waiver was computed, please contact Mary Powley in the Payroll Office at extension 8057.