

## **Taxability of Tuition & Fee Waivers for Graduate Assistants**

Graduate Assistants who are not classified as research or teaching assistants are subject to tax on the value of tuition and fee waivers. This is required under federal law (Internal Revenue Code section 127). The rule applies to the value of all tuition and fees waived in excess of \$5,250 per calendar year (there is no tax on amounts under and up to \$5,250).

During each semester in which a student is a Graduate Assistant, the amount of taxable waiver will be calculated based on the exact number of credits and fees waived less the allowable annual exclusion of \$5,250. The taxable amount will be spread over the period that stipends will be paid, and will increase the amount of tax withheld from each stipend payment. The exact rate of taxation will depend on each individual's personal information as stated on form W-4 (completed by each GA at the beginning of the Assistantship). Depending on the waiver amount and the W-4 information on file with the Payroll Department, it is possible that a GA's net stipend pay could be significantly reduced.

At the end of each calendar year, both the taxable amount of waivers and the taxes withheld are reported on the GA's form W-2. The taxes withheld are credited to the individual's tax account with the IRS, so that upon completion of the annual personal tax filing, these taxes will be credited to the individual's overall tax liability. Depending on overall circumstances, if overall taxes are overpaid the individual would get a refund from the IRS.

Waivers awarded for summer terms are also taxable, however there are no stipends during the summer to deduct the taxes from. In these cases, the taxes for summer waivers will be deducted from the subsequent fall stipends if applicable. If the student is not attending in the subsequent fall (or not receiving a stipend), the University will not be able to withhold relevant taxes however the amount of waiver will be included in the student's taxable income reported on form W2 at end of calendar year. In some cases, the student could owe taxes. This situation could also apply in other non-summer terms for students receiving waivers but not receiving a stipend.