

TAXATION OF BENEFITS

- Federal and state regulations mandate that certain tuition benefits are subject to federal and state taxes. Some or all of the benefits received under the tuition waiver program may be considered a taxable benefit. In general, graduate coursework and coursework for domestic partners and dependents of domestic partners will increase the amount of taxable income for the year
- The estimated withholding is generally 37.65% of the tuition value exceeding the IRS maximum. This tax percentage represents the sum of the following: 25% federal, 5% state and 7.65% Social Security/Medicare taxes. This is typically true for Massachusetts residents. Please refer to current IRS policy and applicable federal and state tax tables to identify individual tax liability.
- Affected employees will be notified by Student Accounts of the taxable tuition value and the timeframe that payroll taxes will be withheld for the applicable academic term. If an employee terminates or retires, the tuition benefit will extend until the end of the course. Any unpaid taxable tuition will be included on a Form W-2 or 1099 in the appropriate calendar year.
- Graduate level courses that have NOT been approved as job-related are subject to taxation if the tuition waiver benefit exceeds the IRS maximum (currently \$5250) in a calendar year.
- An employee is responsible for discussing his/her job-related course selection(s) with his/her supervisor prior to submitting the tuition waiver form for approval.
- The supervisor reviews the courses requested by his/her employees to ensure that they are job-related. Job-related courses include:
 - Any course that allows the employee to meet minimum job requirements for his/her current job as supported by his/her job description is to be considered job-related.
 - Any course that maintains or improves the skills required by the employee's current job as supported by his/her job description is to be considered job-related.

The following chart depicts the current taxable consequences for various course enrollees. As these regulations are subject to change without notice; please refer to the current Internal Revenue Service (IRS) regulations. This information is provided for general guidance only.

TYPE OF COURSE	STUDENT STATUS	TAXABLE TO EMPLOYEE?	TAX WITHHOLDING PROCESS
UNDERGRADUATE	Faculty/Staff	No	Does not apply
	Retiree	No	Does not apply
	Spouse (of active or retired employee)	No	Does not apply
	Domestic Partner (of active or retired employee)	Yes	Payroll deduction during calendar year
	Dependent children (of active or retired employee)	No	Does not apply
	Dependent children of Domestic Partner	Yes	Payroll deduction during calendar year
	Dependent children (of LTD–eligible or deceased employee)	No	Does not apply

	Dependent children (of Domestic Partner of LTD-eligible, retired or deceased employee)	Yes	Taxable value will be included on Form W-2 or 1099, as applicable.
GRADUATE	Faculty/Staff	Yes if not job-related and value exceeds IRS max; No if job-related	Payroll deduction during calendar year
	Retiree	Yes	Taxable value will be included on Form W-2 or 1099, as applicable.
	Spouse (of active or retired employee)	Yes	Payroll deduction during calendar year or tax liability will be included on Form W-2 or 1099, as applicable.
	Domestic Partner (of active or retired employee)	Yes	Payroll deduction during calendar year or tax liability will be included on Form W-2 or 1099, as applicable.
	Dependent children (of active employee)	Yes	Payroll deduction during calendar year
	Dependent children of Domestic Partner	Yes	Payroll deduction during calendar year
	Dependent children (of LTD-eligible, retired or deceased employee)	Yes	Tax liability will be included on Form W-2 or Form 1099, as applicable
	Dependent children (of Domestic Partner of LTD-eligible, retired or deceased employee)	Yes	Tax liability will be included on Form W-2 or Form 1099, as applicable.

For an employee on a leave of absence exceeding 30 days, the tuition waiver benefit will only apply to covered dependents. This includes the spouse, domestic partner and/or dependent children of the employee and/or domestic partner. Refer to the taxable consequences for the spouse, domestic partner and/or dependent children of an active employee cited above for general guidance.