



Fiscal Operations

MEMORANDUM

To: All Employees
From: James D. Barbret, Controller and AVP of Fiscal Operations
Subject: Taxability of Tuition Assistance Benefit Program
Date: January 4, 2013

Wayne State University offers eligible employees the opportunity to pursue higher education free of charge for both undergraduate and graduate coursework. In addition, an eligible employee's spouse and/or dependent children may qualify for a tuition discount for undergraduate and graduate courses. Undergraduate tuition benefits are not deemed by the Internal Revenue Service (IRS) to be a taxable benefit; however, graduate tuition benefits are considered taxable income. In order to be compliant with IRS regulations, we will begin additional tax withholding associated with the taxable benefit during the term for which the benefit is received.

In order to receive these benefits, an application form must be submitted to the Office of Total Compensation and Wellness (TCW) no later than 10 business days after the Last Day for Tuition Cancellation of the same term (Census Day). For the 2013 calendar year, the Census Days are as follows:

| | <u>Census Day</u> | <u>Application Due</u> |
|--------------------|-------------------|------------------------|
| Winter Term | January 22, 2013 | February 5, 2013 |
| Spring Term | May 11, 2013 | May 24, 2013 |
| Spring/Summer Term | May 18, 2013 | June 3, 2013 |
| Summer Term | July 2, 2013 | July 17, 2013 |
| Fall Term | Sept 11, 2013 | Sept 25, 2013 |

We will not accept applications for the tuition assistance benefit after the listed due dates.

Why are Tuition Benefits Taxed?

In general, IRS regulations consider anything of value provided to an employee by an employer to be a form of compensation. All compensation must be reported as taxable wages and is subject to income tax withholding, unless specifically excluded by the Internal Revenue Code (IRC).

What does that Mean for a WSU Employee?

As an employee taking graduate level coursework, you are allowed up to \$5,250 of tuition assistance per calendar year without any tax implications in accordance with the educational assistance exclusion under §127. Any amount over \$5,250 in a calendar year will be subject to taxation. If a spouse and/or dependent child are taking graduate level courses, you will be subject to tax on the entire value of the University tuition assistance received. As noted above, the additional tax associated with the taxable benefit will be withheld during the term the benefit is received.

For additional information, please visit our website at http://fisops.wayne.edu/payroll/employee-resources/taxability_of_tuition_assistance_program.php.