

Are Tuition Assistance benefits taxable?

The Tuition Assistance benefit is intended to provide benefits that are, to the extent possible, excluded from taxation under IRS Code Sections 117(d) and 127 (when in effect) and other applicable laws. Nonetheless, many benefits provided will constitute taxable income to the employee sponsoring his or herself, child and/or spouse. Champlain College is required by law to report to the Internal Revenue Service the gross amount of the tuition assistance benefit received subject to taxes as well as the taxes that were withheld from the employee's pay as part of an employee's earnings.

Undergraduate courses taken by an employee or spouse are not taxable.

Undergraduate courses taken by child(ren) or stepchild(ren) of an employee are not taxable if they still qualify as the employee's dependent under applicable Internal Revenue Code provisions. The employee will be asked to certify to this on a Tuition Assistance Certification Form. If the employee cannot certify this, any tuition assistance for undergraduate courses taken by the child(ren) or stepchild(ren) will be considered taxable and reportable as income on the employee's W-2.

Graduate courses taken by an employee are exempt from taxable income and reporting to the Internal Revenue Service for the first \$5,250 of the benefit in a calendar year. After that threshold is passed, the benefit must be taxed and reported on the employee's W-2 form. No refund of taxes will be granted once taxation occurs.

Graduate courses taken by an employee's child(ren) or spouse are fully taxable as income and subject to withholding and reporting to the Internal Revenue Service. Taxes must be withheld in the year the class(es) are taken and reported on the employee's W-2 form.

The Tuition Assistance Certification Form must be completed when the employee first exercises the benefit, and must be renewed each semester. Any change in family status must be reported to the payroll department for appropriate action regarding taxation.

To estimate your tax liability:

Use the value per credit hour of the degree being worked on. This number varies by degree ranging from \$613-\$1,035 per credit hour. To figure the taxable value of your program, use the number of anticipated credit hours times the cost per credit hour. Multiply this total by 30% to get the amount of tax that may be owed for your tuition (a very rough estimate of the average amount of taxation).

For example - the MBA program currently is \$795 per credit hour (amounts subject to change) and you plan to take 4 classes, 3 credits each. $\$795 \times 12 = \$9,540 \times 30\% = \$2,862$ potentially in additional taxes to the employee for family members taking the MBA.

Employees receive a \$5,250 exemption, making this example $\$795 \times 12 = \$9,540 - \$5,250 = \$4,290$ (the taxable portion of the benefit) $\times 30\% = \$1,287$ in potential additional taxes.