

# Tuition Benefits and Taxation

A Guide to Understanding your Benefits  
and Potential Tax Liability



# CHAMPLAIN COLLEGE

## Tuition Eligibility and Tax Information

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### Undergraduate Tuition

Employee	Not taxed
Spouse	Not taxed
Dependent child	Not taxed
Non-dependent child	Employee is taxed on the entire tuition amount

### Graduate Tuition

Employee	Taxable after tuition amount exceeds \$5,250
Spouse	Employee is taxed on the entire tuition amount
Dependent child	Employee is taxed on the entire tuition amount
Non-dependent child	Employee is taxed on the entire tuition amount

**Note:** Spouse, dependent child(ren), non-dependent child(ren) may take one graduate level class per term under this benefit

*For additional information on tax and education benefits, please refer to IRS Publication 970*

*Dependent status is per the IRS definition, more information can be found at : <http://www.irs.gov/publications/p17/ch03.html>*



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## Current Graduate Rates per Credit

PROGRAM	CREDITS	COST/CREDIT	TOTAL COST
MBA with Embedded Certificate	36	\$795	\$28,620
MS in Digital Forensic Science	30	\$795	\$23,850
MS in Executive Leadership	36	\$795	\$28,620
MS in Health Care Administration	30	\$795	\$23,850
MS in Information Security Operations	30	\$795	\$23,850
M.Ed in Early Childhood Education	36	\$595	\$21,420
MS in Emergent Media	30	\$1,085	\$32,550
MFA in Emergent Media	62	\$1,085	\$67,270



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## Current Graduate Rates per Credit

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PROGRAM	CREDITS	COST/CREDIT	TOTAL COST
Accounting Graduate Certificate	12	\$795	\$9,540
Advanced Management Graduate Certificate	12	\$795	\$9,540
Digital Forensic Science Graduate Certificate	12	\$795	\$9,540
Health Care Administration Graduate Certificate	15	\$795	\$11,925
Human Resource Management Graduate Certificate	12	\$795	\$9,540
Leadership Graduate Certificate	12	\$795	\$9,540
Positive Organization Development Graduate Certificate	15	\$795	\$11,925
Supply Chain Management Graduate Certificate	12	\$795	\$9,540
Early Childhood Education Graduate Certificate	18	\$595	\$10,701



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## How to calculate the taxable portion of **your** tuition benefit

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Using the per credit hour cost on the previous pages, multiply the number of credits anticipated by the amount per credit.

For example: the amount for a MBA program credit is \$795 and you plan to take a class Spring A and B, Summer 1 and Fall A and B for a total of 15 credits.



**For you:** The IRS allows a tuition amount of \$5,250 be reached before the benefit becomes taxable.  $\$11,925 - \$5,250 = \$6,675$  that is taxable to you in the calendar year the class is taken.

The average tax bracket is approximately 30%, or a total of approximately \$2,002.50 in additional taxes that would be withheld from your pay.

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## How to calculate the taxable portion of the tuition benefit for your spouse or child

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Using the per credit hour cost on the prior pages, multiply the number of credits anticipated by the amount per credit.

For example: the per credit amount for the MBA program is \$795 and your spouse or child plans to take a class Spring A and B, Summer 1 and Fall A and B for a total of 15 credits.

$$\begin{array}{ccc} \boxed{15} & \times & \boxed{795} & = & \boxed{11,925} \\ \text{Number of Credits} & & \text{Per Credit Amount} & & \text{Total Amount of Benefit} \end{array}$$

**For your spouse or child:** The entire amount of \$11,925 value is a taxable benefit to you in the calendar year the class is taken.

The average tax bracket is approximately 30%, or a total of approximately \$3,577.50 in additional taxes that would be withheld from your pay.



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## How to calculate the taxable portion of the tuition benefit - continued

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**For the employee:** As shown previously, an amount of \$6,675 is taxable to you. If this amount is spread over **12 months**, you are taxed on an additional \$556.25 each month, which equals about \$167 in extra taxes each month.

<b>6,675</b>	÷	<b>12</b>	=	<b>556.25</b>	X 30%	=	<b>166.87</b>
Total Amount to be Taxed		Number of Months		Amount Taxed per pay			Estimated Additional Tax

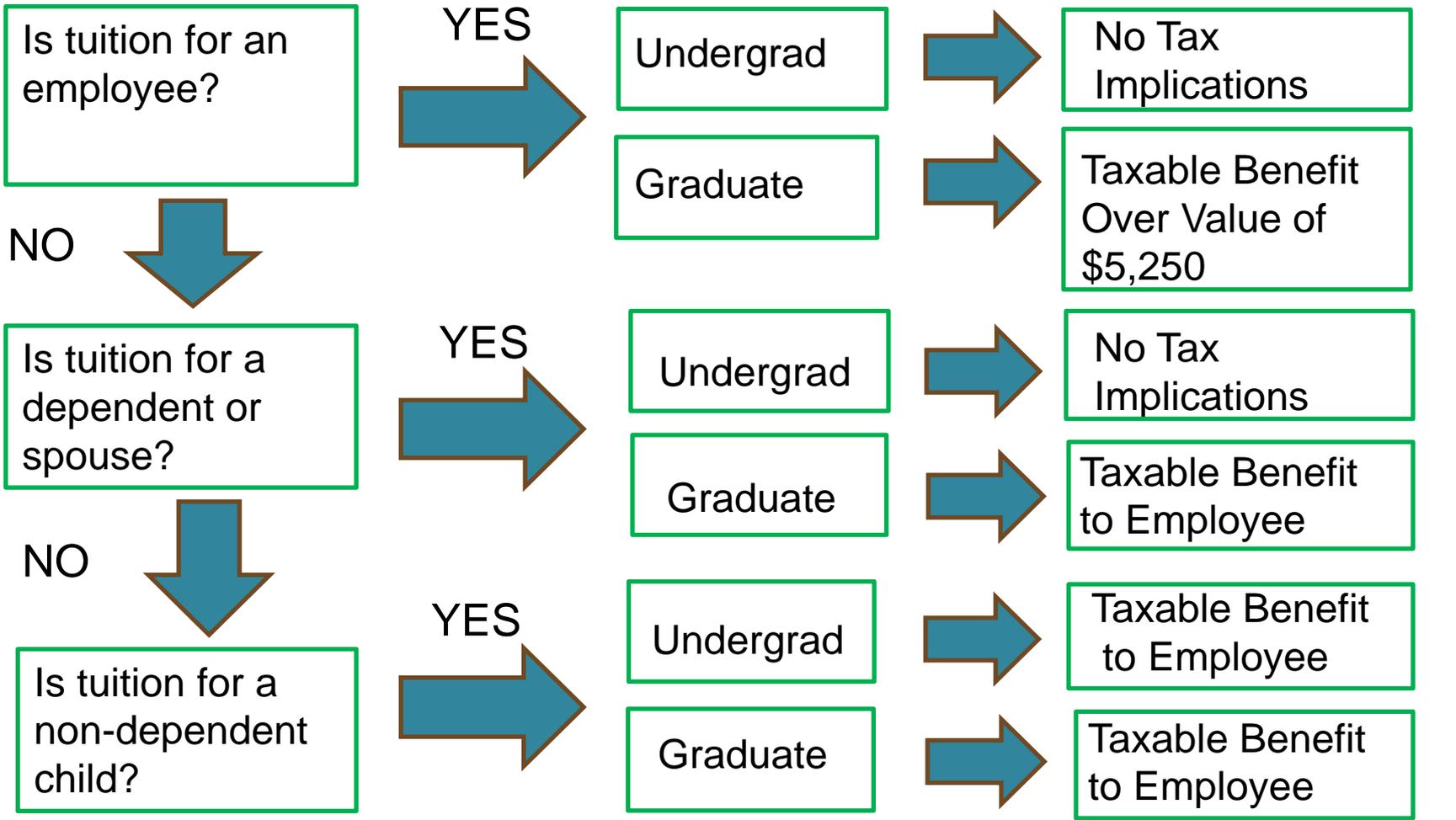
**For a spouse or child :** If the \$11,925 is spread over 12 months, you are taxed on \$993.75 each month, which equals about \$298 in extra taxes each month.

<b>11,925</b>	÷	<b>12</b>	=	<b>993.75</b>	X 30%	=	<b>298.12</b>
Total Amount to be Taxed		Number of Months		Amount Taxed per pay			Estimated Additional Tax



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## Taxes and Your Pay

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The longer you delay before setting up the additional taxes with payroll, the greater the tax burden will be each pay. This is because you are paying tax on a greater amount each pay, which may push you into a higher tax bracket. All taxes on the benefit must be taken in the calendar year the class(es) are taken.

In the examples, 12 months was used as the period to spread the taxes out over. If you wait until July to start paying the additional taxes, the amount being taxed each pay will be greater, leaving you with less take home pay. While you will pay the same amount of tax, they are taken over a 6 month period rather than a 12 month period.

**Please note:** The employee must complete a **Tuition Certification Form** each semester for each family member taking courses.



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## Examples Of How Your Take Home Pay Can Be Affected

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### January Start Date for Additional Taxation:

Annual Salary \$37,000/pay \$3,083.33 monthly

Tuition Value \$7,245 - \$5,250 = \$1,995 that is taxable

Divided over 12 months  $\$1,995/12 = \$166.25$ . This is the additional amount you are **taxed** on each month, not the amount of tax paid.

December take home pay: \$2,053.35

January take home pay: \$2,009.79 – a difference of \$43.56

### July Start Date for Additional Taxation:

Annual Salary \$37,000/pay \$3,083.33 monthly

Tuition Value \$7,245 - \$5,250 = \$1,995 that is taxable

Divided over 6 months  $\$1,995/6 = \$332.50$ . This is the additional amount you are **taxed** on each month, not the amount of tax paid.

June take home pay: \$ 2,053.35

January take home pay: \$ 1,966.23 – a difference of \$87.12



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## Tuition Reimbursement (Employees Only)

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### Undergraduate and Master's Degree Study at Other Accredited Institutions

Champlain College will reimburse 50% of tuition costs up to \$1,500 per term. The cost of the benefit may not exceed \$3,000 per fiscal year. No more than 8 credits may be taken in one term without permission of the employee's supervisor.

Continued Employment Conditions: Staff/faculty approved for master degree studies tuition reimbursement will be required to complete one (1) full year of employment at Champlain College after completion of the course(s) for which reimbursement is awarded pursuant to this policy. In the event the employee ends the program early or leaves Champlain before the end of the one year period described above, a penalty will occur. *(The year period will be measured back from termination date to course start date.)*

*\*Please refer to the Tuition Benefit Policy on the People Center website for more details.*



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## Tuition Reimbursement - continued

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Full-time staff and faculty with three(3) or more years of full-time employment who do not have a doctoral degree, are eligible to receive partial tuition reimbursement for their studies toward their doctoral degree. Champlain College will reimburse 60% of tuition, up to \$2,500 per term, not to exceed \$5,000 per fiscal year with a lifetime maximum of \$30,000. **Advanced** approval is required from the Senior Vice President, Institutional Advancement & Finance for staff reimbursement, and the Chief Academic Officer for faculty reimbursement.

*Continued Employment Conditions:* Staff/faculty approved for doctoral studies tuition reimbursement will be required to complete two (2) full years of employment at Champlain College after completion of the program for which reimbursement is awarded pursuant to this policy. In the event the employee ends the program early or leaves Champlain before the end of the two year period described above a penalty will occur. *(The 2-year period will be measured back from termination date to course start date.)*

*\*Please refer to the Tuition Benefit Policy on the People Center website for more details.*



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