

Payroll Office Fee Waiver Taxation

Business Process

1. Graduate fee waivers provided to University of Tennessee regular employees and graduate student employees not classified as a GTA or GRA (primary position) must be recognized and treated as a taxable fringe benefit. Undergraduate fee waivers are not taxable.
2. All university employees are allowed tax free graduate tuition benefits of \$5,250 per calendar year under the university's Section 127 Educational Assistance plan.
3. Once the \$5,250 limit has been exceeded for non GTA-GRA employees (tracked by IRIS), the taxable portion of the graduate fee waiver will be added to taxable income and all applicable employment taxes will be withheld. Federal Income Taxes will be withheld on the combined taxable wages and fee waiver value using the IRS tax table rates and the employee's signed W-4. To help relieve the tax burden on the employee, the taxable value of the waiver will be allocated to employee checks based on the following schedule:
 - a. Spring – Feb(1/3), March(1/3), April(1/3)
 - b. Mini – May (100%)
 - c. Summer – June(1/2), July(1/2)
 - d. Fall – Sept(1/3), Oct(1/3), Nov(1/3)
4. Individuals may provide a signed **Employee Request for Job Related Tuition Waiver** form, approved by the department head verifying that the program of study is "job related". If so, the waiver is excluded from taxation. The form is available from <http://payroll.tennessee.edu>. This form must be received by the University-wide Administration Payroll Office for each semester. Due dates for the forms are as follows:
 - a. Spring semester - February 15
 - b. Mini-term – May 15
 - c. Summer – June 15 (first) July 15 (second)
 - d. Fall semester – September 15The UWA payroll office will manually change Job Related Fee Waivers to a non-taxable status once the Job Related Form has been received. Forms turned in late will be accepted as long as they are for the current calendar year.
5. The text representing the Graduate Fee Waiver on the employee's advice will differ based on the appropriate tax treatment.
 - a. **GR Waiver nontax** – Non-taxable graduate fee waiver given to a GTA or GRA
 - b. **GR Waiver Excluded** – Graduate fee waiver under the annual \$5,250 tax free tuition benefit allowed under IRS Code Section 127
 - c. **GR Waiver taxable** – Graduate fee waiver provided to GA or regular employee in excess of the tax free \$5,250 allowed by IRS Code Section 127
 - d. **GR Waiver Job Exclud** – Graduate fee waiver meeting the job related requirements of IRS Code Section 132. Signed **Employee Request for Job Related Tuition Waiver** form must be sent to the UWA Payroll Office each semester to claim this exemption.

Pay Statement sample: John Student, a graduate assistant, receives a \$9,000 fee waiver for Spring Semester 2012. The \$9,000 fee waiver will be allocated equally over three months. The Section 127 Exclusion will be applied to the first \$5,250 of graduate fees waived during the year. Once the \$5,250 limit has been exceeded, any additional waiver amounts will be taxable in the

current pay period and future pay periods. The fee waiver text and amounts displayed under the Gross Pay Column on the Pay Statement will be as follows for February, March, and April.

February	- GR Waiver Excluded	\$3,000.00 (no tax consequences)
March	-GR Waiver Excluded	\$2,250.00 (no tax consequences)
	-GR Waiver Taxable	\$ 750.00 (subject to tax withholding)
April	-GR Waiver Taxable	\$3,000.00 (subject to tax withholding)