Tax Treatment of Graduate Tuition Waiver for Graduate Assistants

Why are there tax withholdings on my tuition waiver?

All graduate tuition waivers are taxable unless exempt under the Internal Revenue Service (IRS) Code. Under the University's Graduate Student Assistantship Plan that is in compliance with IRS Code §127, $5,250 per calendar year (January to December) in tuition waivers associated with Graduate Assistantship (GA) appointments are excluded from taxable income. If the amount of the tuition and service fee waiver exceeds $5,250, the excess (the amount above $5,250) is deemed taxable income under IRS Code and taxed accordingly.

Are all GA positions included in this IRS Code or are some assistantships allowed to exclude their graduate tuition waivers from their income?

IRS Code §117 exempts teaching (GTA) and research (GRA) graduate assistant tuition from being taxed. Therefore, the tuition and service fee waivers that exceed $5,250 are not taxable for teaching and research GAs. Non-teaching/research GAs, that is Graduate Support Assistants (GSAs), were specifically excluded from this exclusion thereby making the tuition waiver related to these assistantships taxable.

How is the withholding amount determined?

The value of the tuition waiver exceeding $5,250 is subject to withholding tax based on the completed W-4 on file with the Payroll Office. As such, the amount withheld may differ among graduate assistants.

The tuition waiver does not come in the form of payment to me. How will the withholding be made?

When the value of the tuition waiver exceeds $5,250 in a calendar year, the excess is included as taxable income as non-cash earnings. This means you will not see a pay increase in your check, but rather the excess waiver amount is added to your regular earnings. When non-cash earnings are added to your assistantship stipend, the University must calculate and withhold the additional tax due.

What happens to the taxes that are withheld?

Both the amount of taxable income associated with the waiver (amount exceeding $5,250 in the calendar year) and the taxes that the University withholds with respect to such income are reported on Form W-2. The taxes that the University withholds are forwarded to the IRS and credited to your tax liability for the year.

Who should I contact if I have specific questions?

- Graduate College: (479) 968-0398
- Payroll: (479) 968-0696