TUITION REMISSION
THE PAYROLL PROCESS AND TAX IMPLICATIONS

References
- Marquette University Policy: UPP 4-09: Tuition Benefit Programs
- IRS Publication 970: Tax Benefits for Education
- IRS Publication 508: Tax Benefits for Work-Related Education
- IRS Publication 520: Scholarships and Fellowships
- IRS web site: www.irs.gov

The Process
- Each month, the Comptroller’s Office receives a report from the Bursar’s Office that shows all individuals receiving Tuition Remission, the dollar amount charged that month, and in which academic program they are enrolled.
- Individuals are listed as Employee Remission, Spouse Remission, Non-Employee Remission, and MU Dependent Remission.
- Course titles or numbers are not indicated on this report.
- Anyone enrolled in an Undergraduate program will not be processed by Payroll. Those programs are exempt from taxes per IRS regulations.
- All graduate programs are taxable, per IRS regulations, explained on next page.
- **NOTE**: Tax treatment of remission will be based upon the Academic Program – not the course number. Some courses are eligible for either graduate or undergraduate credit. A graduate student who does not wish to receive graduate credit for an undergraduate course must apply to the Graduate School for permission to take it for undergraduate credit. The Graduate School then notifies the Payroll Manager in writing so that the student is not taxed on that particular course.
- Taxable tuition remission amounts are not always equal to the cost of the course(s) taken. Course cost is first reduced by scholarships or other aid, then further reduced by the $5,250 employee tax exemption, if applicable (see next page).
- Taxable tuition remission amounts are divided evenly over the pay periods of the applicable academic term and added to an employee’s paycheck as Imputed Income.
- Imputed Income is not an actual payment. Rather, it is the taxable tuition remission amount added to the employee’s Gross Pay in order to compute applicable taxes. It does not appear on the paycheck stub as a deduction, and it is not added to Net Pay. To compute Net Pay looking at your paycheck stub, please start with Gross Pay, subtract any Imputed Income, then subtract all taxes and other deductions.
- Taxes are thus withheld from employee paychecks over the course of an academic term.
- Academic terms for payroll purposes are:
  - Spring: January – May (5 months)
  - Summer: June – August (3 months)
  - Fall: September – December (4 months)
* Exceptions may be made on a case-by-case basis if tuition costs are extremely high.
**Tax Implications**

Please note that this summary is based upon current tax law, which is subject to change. Updates will be provided by the Payroll Department as needed.

Employees may want to consider adjusting their Form W-4 (Withholding Allowances). However, specific questions related to an employee’s personal tax situation should be addressed with a tax advisor. The Payroll Department cannot provide tax advice.

- Tuition remission for undergraduate programs is exempt from taxes.
- The following points address the tax implications of tuition remission for graduate programs only.
  - **Employee Remission:**
    - The first $5,250 in graduate tuition per calendar year is exempt from taxes.
    - Tuition Remission above $5,250 will be added to payroll checks and taxed accordingly over the academic term (see prior page).
    - The $5,250 tax-free amount is not allocated evenly across a calendar year. It is used first. Thus, except for the first fall semester of enrollment in a graduate program, in most cases the tax impact to employees will be greater in the fall semester (paychecks dated September through December).
  - **Spouse Remission:**
    - The entire amount of graduate tuition remission is taxable.
    - Tuition Remission will be added to payroll checks and taxed accordingly.
  - **Dependent Remission:**
    - The entire amount of graduate tuition remission is taxable.
    - Tuition Remission will be added to payroll checks and taxed accordingly.
  - **Non-employee Remission (typically ROTC programs):** 1099 impact only.

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