July 30, 2012

Dear Retiree,

The University System of Maryland must comply with Federal and State tax regulations governing any applicable taxability, tax reporting and/or withholding of taxes on the University’s reduced tuition and educational assistance programs – Tuition Remission. The value of any taxable tuition benefits will be reported as your taxable income and be subject to all employment taxes effective for the calendar year in which Tuition Remission is used. For a general overview of tuition remission taxability, refer to the form labeled “Tax Chart - USM Tuition Remission” which is posted on the USM website and it is also available through the Institutions Benefits Coordinators.

Before your Tuition Remission request can be processed, you must complete and return the attached W-4 form containing the retiree information. A W-2 Wage and Tax Statement will be issued at the end of the calendar tax year, to report any taxable tuition benefits for your personal income tax reporting.

Taxes will be reported on the taxable amount of the tuition benefit awarded as follows:

Federal Income Tax - Flat Supplemental Rate 25%
State Income Tax - graduated rate based on W-4 information
FICA Tax – based on contribution rate for the applicable calendar year
The total tax reported could add up to a possible 40% of the tuition benefit value.

The State Central Payroll Bureau (CPB) will calculate any applicable taxes to be reported and will bill the University for that tax amount. The University in turn will bill you directly for that tax liability in each semester in which the Tuition Remission is used.

If you have any questions regarding this matter please contact Kim Williams - University of Maryland College Park - Payroll Services at 301-405-7480.

Sincerely,

Frank J. Taylor
Assistant Comptroller
Payroll Services - UMCP

As user of the USM Tuition Remission benefit, I understand the tax consequence presented above and I am aware of my obligation to pay due taxes as billed by the University:

Printed Name: ____________________________ Signature: ____________________________ Date: __________