

TAX CHART-A – USM TUITION REMISSION

Eligibility for tuition benefits must be determined under USM-Board of Regents Policies VII-4.10 and VII-4.20. This chart provides a general overview of the taxability of various types of tuition remission. It does not constitute tax advice. Each employee or recipient of tuition remission is strongly encouraged to discuss all questions related to tax liability with his or her accountant or tax advisor.

Who is the Student?	Undergrad or Graduate?	<u>Taxable or Not Taxable</u> for federal income tax purposes	Special Notes
1. Employee/Retiree	Undergraduate (all courses)	Not Taxable	
2. Employee (does not include Retiree)	Graduate (work related)	Not Taxable (see note)	Graduate: MUST qualify as a working condition fringe benefit, not to meet minimum job qualifications or qualify for a new trade or business as defined in Affidavit-A, Section 3
3. Employee/Retiree	Graduate (not work related)	First \$5,250 is Not-Taxable. Any amount over \$5,250 is TAXABLE	
4. Spouse, Widow/er, or Child of Employee/Retiree*	Graduate	TAXABLE	
5. Spouse or widow/er	Undergraduate	Not-Taxable	Federal law determines the federal tax treatment of tuition benefits for spouses.
6. Federal tax dependent who is Employee's/Retiree's*: <ul style="list-style-type: none"> • Spouse • Son/Daughter • Stepson/Stepdaughter • Legally adopted Son/Daughter 	Undergraduate	Not-Taxable	Employee/Retiree (regardless of marital status) must claim the student as a dependent on the employee's federal tax return for the year in which tuition remission is granted.
7. <u>Employee's/ Retiree's*:</u> <ul style="list-style-type: none"> • Son/Daughter • Stepson/Stepdaughter • Legally adopted Son/Daughter If Employee/Retiree is divorced/separated from child's other parent who claims child as a tax dependent	Undergraduate	Not-Taxable	Divorced/separated spouse must claim the student as a dependent on his/her federal tax return for the year in which tuition remission is granted to the employee/retiree.
8. <u>Employee's/Retiree's*:</u> <ul style="list-style-type: none"> • Spouse, or • Son/Daughter; Stepson/Stepdaughter; or Legally adopted Son/Daughter if student is NOT described in any of the preceding categories Who is NOT A TAX DEPENDENT of Employee/Retiree for year benefits are received	Either	TAXABLE	ALL tuition remission for a child of any age not claimed as the employee's/retiree's tax dependent is taxable, except for a child of divorced or separated parents, (see row 7).

* Includes a deceased employee or deceased retiree

Note: This chart and Tuition Remission Policies VII-4.10 and VII-4.20 **DO NOT apply to Graduate Assistants.**