October 9, 2017

TO: All Staff Receiving Graduate Level Tuition Remission

FROM: Kimyada A. O’Neal
Manager, Student Accounting and Cashiering

SUBJECT: Tuition Remission for Graduate Level Courses

This memorandum serves to inform you of the taxability of your tuition remission benefit. As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001, the first $5,250 of graduate level tuition remission is no longer included as taxable income for courses beginning on or after January 1, 2002. For federal tax purposes, the University will apply the value of your tuition remission in excess of $5,250 to your Federal, Social Security and Medicare taxable wages. However, the State of New Jersey continues to deem this benefit as fully taxable. Therefore, State taxes will be withheld on the full value of your graduate tuition remission.

The University will apply the value of the Fall 2017 semester graduate tuition remission to your taxable wages, and withhold applicable income and employment taxes over four pay periods beginning on October 20, 2017 through December 1, 2017.

As in the past, taxable income is based on the tuition remission amount credited on the employee’s student account. If a student drops a graduate level course during the refund period, the tuition remission amount will be reduced in accordance with the University’s refund policy for partial or total withdrawals. For example, if a student receives a 60% credit under the refund policy, only 40% of the tuition remission will be taxable income subject to withholding taxes. Full or partial withdrawal after the refund period will result in 100% of the tuition remission being taxable. The date of withdrawal from a graduate course is therefore critical in determining taxability. Please consult the University’s refund policy dates for the current semester to determine the tax impact.

Since the taxability cannot be fully determined until the refund date has elapsed, the tax withholdings are deducted over four pay cycles at the end of each semester to ease the burden of collecting the taxes all at one time.

You may wish to consult your tax advisor to determine whether any of your educational expenses are tax deductible.

Thank you for your attention to this matter.