

Taxation on Graduate Classes

The University grants tuition waivers to its employees for study at DePaul University pursuant to the Internal Revenue Service (IRS) regulations. Employee tuition waivers and benefits may be subject to taxation, as articulated in the regulations.

Tuition waivers related to undergraduate programs are tax-free for employees, their spouses and/or their dependents for covered programs of study. In order for a dependent child to be eligible for a tax exemption while enrolled in an undergraduate program, the child must be claimed by the employee as either a **Qualifying Child** tax dependent or a **Qualifying Relative** tax dependent for the tax year the waiver is obtained (See the tuition waiver policy for further details).

For employees, spouses and eligible children enrolled in a graduate program (or for eligible children enrolled in an undergraduate program who are not tax dependents), the dollar value of the waivers granted is added to the employee's earnings as imputed income during the quarter/semester in which the class is taken. Taxes on the imputed income for dependent tuition waivers are the responsibility of the faculty or staff member, and not the dependent child or spouse.

Tuition waivers for employees enrolled in graduate programs are tax-free until the amount of the benefit reaches \$5,250.00 in one calendar year. If the employee exceeds the tax-free benefit of \$5,250.00 during the calendar year, taxes will be assessed and taken directly from the employee's earnings.

The \$5,250.00 calendar year threshold for taxation of the graduate tuition waiver applies to the **employee only**. Spouses and/or dependents (of an employee) who enroll in a graduate program are not eligible for the \$5,250.00 tax free benefit and their enrollment will immediately subject the relevant employee to taxation.

How Graduate Taxes are Deducted from an Employee's Paycheck

The amount of the granted tuition waiver is added to the employee's earnings as imputed income during the quarter/semester in which the class is taken.

Example Paychecks

This employee has a gross bi-weekly salary of \$1,000. The first column is the employee's paycheck without the graduate tuition waiver. The second column is the same employee's paycheck with the amount of the graduate tuition waiver added to the income.

For this scenario, assume that this individual has exceeded the \$5,250.00 threshold and his/her earnings are now being taxed in accordance with the IRS regulations. The graduate class waiver in this example is a total of \$1,912.00. The taxes from the employee will be spread out over 5 pay periods ($\$1,912.00/5$ paychecks = \$382.40 deducted from each of 5 paychecks)

The taxation lowered this employee's paycheck by \$102.95 bi-weekly.

Without Graduate Taxes:	With Graduate Taxes:
Gross \$1,000 Less taxes: FICA \$60.42 Medicare \$14.13 Federal \$98.77 State \$26.93 Less other deductions: Medical \$22.50 Dental \$3.00 Vision \$4.48 NET PAY: \$769.77	Gross \$1,000 Graduate class amount added: \$382.40 Total Taxable gross: \$1,382.40 Less Taxes: FICA \$84.13 Medicare \$19.68 Federal \$160.99 State \$38.40 Less other deductions: Medical \$22.50 Dental \$3.00 Vision: \$4.48 NET PAY: \$666.82

Taxation Schedule

Taxes will be deducted starting with the first paycheck after the *last day to drop classes with no penalty date* (please refer to the academic calendar located on the academic affairs website at <http://oaa.depaul.edu/index.jsp>). The inputted income added to the employee's earnings will be spread out over 5 pay periods.