A portion of or the entire value of graduate level tuition waivers granted to faculty, staff, their spouses, and their dependents could be taxable and reportable income to employees. This policy does not apply to Graduate Teaching and Research Assistants. Graduate level waivers for employees and their spouses and dependents will be taxed according to the following Internal Revenue Service regulations:

**Section 117(d) of the Internal Revenue Code**

This section of the Code applies to employees of educational institutions, their spouses, and dependents. It provides for non-taxable tuition remission for all course work below the graduate level.

**Section 127 of the Internal Revenue Code**

This section of the Code applies to employees of educational institutions, their spouses, and dependents for graduate level course work. It provides for a $5,250 exclusion from taxable wages for employees only. It does not provide any tax relief for spouses and dependents receiving tuition remission after they have received a baccalaureate degree.

**Procedure for Employees**

Tuition waivers granted to employees matriculating in graduate programs are subject to taxation when their annual (calendar year) waiver amount posted to University records exceeds $5,250. The value of all course work recipients receive while in graduate programs will be subject to taxation.

**Procedure for Spouses and Dependents of Employees**

Tuition waivers granted to employee spouses and dependents who have previously received a baccalaureate degree are taxable to employee based on the value of all waivers received in a calendar year.

**Process**

On October 31 of each year the Payroll Office will query the University Student Enrollment system and identify the value of taxable tuition waiver provided to employees during the current calendar year. Waivers posted to the University system after October 31 of each year will be applied to the following year’s taxes.

Affected employees will receive written notification from the Payroll Office during the first week of November identifying the value of tuition waivers that will be reported to the State in mid-November. The State will withhold Social Security (FICA) from the employee’s biweekly pay based upon the value of the taxable waivers. The value of taxable tuition waivers will also be reported on the employee’s W-2 form.

Official University Student Enrollment records must be used to determine the value of tuition waivers. The value of dropped courses will be based upon the University’s refund policy (not the drop/add policy) [http://www.uri.edu/es/students/bill/billadjrefundinfo.html](http://www.uri.edu/es/students/bill/billadjrefundinfo.html). Rhode Island residency status identified at the time of waiver approval will determine whether in-state or out-of-state amounts are posted to the system. It is in each employee’s best interest, therefore, to abide by tuition validation rules as if they were paying customers, (drop courses on a timely basis and establish in-state residency status as appropriate).

Questions on this issue should be directed to the Payroll Office.