

TAX NOTIFICATION

Beginning with the 2008 Spring semester, a portion or the entire value of graduate level tuition waivers may be taxed and reported as income on W-2 Forms. Graduate level waivers for employees and their spouses and dependent children will be taxed according to the following IRS 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. This exclusion applies to any education below the graduate level.

Section 127 of the Internal Revenue Code

This section applies to employees, 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 the annual (calendar year) waiver amount posted to University records exceeds \$5,250. The value of 500 and 600 level courses as well as 400 level courses identified by the Graduate School to be included in an individual's Program of Studies will be subject to taxation. Matriculating graduate students without a Program of Studies will be taxed on all 400 and above courses.

Procedure for Spouses and Dependents of Employees

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

Process

For spouses and dependents, the University will withhold FICA (social security tax) from employees pay checks on the value of their spouses' and dependents' taxable waivers each semester. For employees, FICA will be withheld for employees during the semester in which the value of taxable waivers exceeds the \$5,250. dollar limit. The value of taxable waivers will also be reported on year-end W-2 Forms. Notifications will be posted on the Controller's web site each semester with the dates that employees' pay checks will reflect the additional FICA withholdings.

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>. 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 Jim Cacciola, Assistant Controller, Payroll at cacc@uri.edu.