

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 of Employee/Retiree	Undergraduate	Not-Taxable	"Spouse" means a spouse who would be recognized as such for federal tax purposes.
6. Federal tax dependent who is Employee's/Retiree's*: • 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, unless row 7 is applicable.
7. Employee's/ Retiree's*: • Son/Daughter • Stepson/Stepdaughter • Legally adopted Son/Daughter If Employee/Retiree (or the Employee/Retiree's spouse, in the case of a stepchild) is divorced/separated from child's other parent who claims child as a tax dependent	Undergraduate	Not-Taxable	<u>Unless</u> the employee/retiree, OR the employee/retiree's spouse, OR the other parent of the employee/retiree's child/stepchild claims the student as a dependent on his/her federal tax return for the year in which tuition remission is granted to the employee/retiree, the tuition remission will be taxable.
8. Employee's/Retiree's* Son/Daughter; Stepson/Stepdaughter; or Legally adopted Son/Daughter Who is NOT A TAX DEPENDENT of Employee/Retiree AND who does not fall within row 7 for the year benefits are received	Either Undergraduate or Graduate	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 who is described in 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.**