TAX CHART – 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?	Taxable or Not Taxable for federal income tax purposes	Special Notes
1. Graduate Student who is a Teaching Assistant or Research Assistant	Either	Not Taxable	
2. Employee (does not include Retiree)	Graduate (work related)	Not Taxable	MUST qualify as a working condition fringe benefit. Cannot help employee to meet minimum qualifications for the job or qualify employee for a new trade or business.
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 (legally recognized under federal law) or widow/er (whose marriage to Employee/Retiree* was legally recognized under federal law)	Undergraduate	Not-Taxable	Federal law determines the federal tax treatment of tuition benefits for spouses.
6. Federal tax dependent who is Employee's/Retiree's*: • Spouse (recognized by MD law but not federal law, such as a same sex spouse) • Son/Daughter • Stepson/Stepdaughter • Legally adopted Son/Daughter	Undergraduate	Not-Taxable	Employee/Retiree must claim the student as a dependent on the employee's federal tax return for the year in which tuition remission is granted.
7. Employee's/ Retiree's*: • Son/Daughter • Stepson/Stepdaughter • Legally adopted Son/Daughter **If Employee/Retiree is divorced/separated from child's other parent who claims child as a tax dependent**	Undergraduate	Not-Taxable	Divorced/separated spouse must claim the student as a dependent on his/her federal tax return for the year in which tuition remission is granted to the employee/retiree.
8. Employee's/Retiree's*: • Spouse (recognized by MD law but not federal law, such as a same sex spouse), or • Son/Daughter; Stepson/Stepdaughter; or Legally adopted Son/Daughter if student is NOT described in any of the preceding categories **Who is NOT A TAX DEPENDENT of Employee/Retiree for year benefits are received**	Either	**TAXABLE**	ALL tuition remission for a child of any age who is not claimed as the tax dependent of the employee/retiree is taxable, except for a child of divorced or separated parents, described in row 7. All tuition waiver for a same sex spouse who is not employee/retiree's tax dependent is taxable.

***** Includes a deceased employee or deceased retiree

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