Do I have to pay taxes on Tuition Waiver?

Tell Me

Undergraduate courses covered by tuition waiver are not taxed.

- Qualified tuition reduction is the amount of any reduction in tuition provided to an employee of an organization for education below the graduate level at a university. Gross income shall not include any qualified tuition reduction in accordance with IRC §117. Specifically, IRC §117(d)(2) states that any qualified tuition reduction provided to an employee of an educational institution for undergraduate courses is excludable from gross income.

Graduate courses covered by tuition waiver that are valued under $5,250 are not taxed.

- Under IRC §127(a), graduate level tuition waivers provided by a university to its employees are excludable from taxation in the amount up to $5,250 per calendar year if the tuition waivers are provided as part of an educational assistance program described in IRC §127(b).
- Under IRC §117(d)(5), in the case of graduate students who are engaged in teaching or research activities at the educational institution, tuition reduction for graduate level education is considered qualified tuition reduction. This section applies only to teaching and research assistants who are graduate students and not faculty or staff engaged in research or teaching.
- Tuition waiver or reduction provided over $5,250 is considered a taxable fringe benefit for income tax purposes, unless the education is necessary for the employee to maintain or acquire skills necessary for current employment or the education meets an explicit requirement by the employer, law, or regulations and, therefore, would qualify as a deductible business expense under IRC §162 had the employee paid the tuition himself.

Related FAQs

- How do I apply for tuition waiver for courses at UNC Charlotte?
- How do I respond to an employee’s request for tuition waiver?
- What if the employee’s request for tuition waiver is sent to the wrong manager?
- How do I get the admission fee waived as part of the tuition waiver program?
- What are the eligibility requirements for the tuition waiver program?