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.

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Related FAQs

- Where do I begin with the Tuition Waiver process?
- Where can I get guidance on the college application process before using the tuition waiver program?
- Where can I find a comprehensive list of programs and degrees available for tuition waiver through the UNC System?
- What are the UNC Charlotte policies on tuition waiver?
- What are the roles and responsibilities associated with the tuition waiver process?