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Taxes [1]

By law, some uses of the Tuition Assistance Benefit are taxed.

The Tuition Assistance Benefit tax may have a significant financial impact on the employee's paycheck. Please review this page to determine if you'll pay taxes on this benefit.

Will my tuition assistance benefit be taxed?

Please review the chart below to see if your Tuition Assistance Benefit will be taxed.

Who's using the benefit?		What type of classes are you or your dependent taking?		Tax Impact	
Dependent	Employee	Undergraduate	Graduate	Subject to taxes?	Why?

Who's using the benefit?	What type of classes are you or your dependent taking?	Tax Impact	
X	**X**	No	Any amount provided is excludable from employee wages. It is not reportable by the employer and is not taxable to the employee. *Pursuant to Internal Revenue Code section 117(d), "Qualified Tuition Reduction"*

Who's using the benefit?	What type of classes are you or your dependent taking?	Tax Impact	
X	**X**	No	Any amount provided is excludable from employee wages. It is not reportable by the employer and is not taxable to the employee. *Pursuant to Internal Revenue Code section 117(d), "Qualified Tuition Reduction"*

Who's using the benefit?	What type of classes are you or your dependent taking?		Tax Impact	
				The benefit in excess of $5,250 is taxable to the employee. It is reportable on Form W-2 as wages, subject to applicable income tax withholding and payroll taxes. It is not considered salary from which retirement contributions to the mandatory retirement plans can be made (i.e., PERA's defined benefit plan or CU's 401(a) Retirement Plan), although it is "includable compensation" from which elective deferrals can be made for the following elective plans: the CU 403(b)
X		**X**	Not taxed when benefit amount is **less than** $5,250 per calendar year; taxed when benefit amount **exceeds** $5,250 per calendar year	

Who's using the benefit?		What type of classes are you or your dependent taking?		Tax Impact	
					The benefit is taxable to the employee for the full amount of waived tuition. It is reportable on Form W-2 as wages, subject to applicable income tax withholding and payroll taxes. It is not considered salary from which retirement contributions to the mandatory retirement plans can be made (i.e., PERA's defined benefit plan or CU's 401(a) Retirement Plan), although it is "includable compensation" from which elective deferrals can be made for the following elective
X			**X**	Yes	


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Tuition Taxation Overview

The interactive course describes the taxation process for the Tuition Assistance Benefit.

Watch overview [2]

A note for dependents of domestic or civil union partnerships

If a child or spouse of a domestic or civil union partnership is not eligible to be claimed as a dependent on the employee's federal individual income tax return, the Tuition Assistance Benefit is *taxable to the employee.*

This will be reported on the employee's Form W-2 as wages, subject to applicable income tax withholding and payroll taxes. It is not considered salary from which retirement contributions to the mandatory retirement plans can be made (i.e. PERA's defined benefit plan or CU's 401(a) Retirement Plan), although it is considered "includable compensation" from which elective deferrals can be made for the following effective plans: PERA 401(k) Plan, the CU 403(b) Voluntary Retirement Plan and PERA 457(b) Plan.

How much will I be taxed?

The Tuition Assistance Benefits that fall under taxable categories will be subject to Federal (22%) and State (4.40%) and 7.65% of FICA (Social Security and Medicare) taxes for an estimated total of 34.05%. The Tuition Assistance Benefit taxable amount is added as income to the employee’s paycheck and then the employee is taxed on total gross income. This means that approximately 34.05% of the Tuition Assistance Benefit taxable amount will be withheld for tax purposes from the employee’s paycheck over two pay periods (vs. one lump sum). Please be aware that this may have a significant financial impact. The TAB tax will affect employees’ paychecks typically two months after your campus of registration’s census deadline for each semester.

Groups audience:
Employee Services

Source URL:https://www.cu.edu/employee-services/benefits-wellness/current-employee/tuition-assistance/taxes

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