

Tuition Remission Taxation Policy

As an educational institution, IIT can provide undergraduate tuition benefits to employees and their spouses and dependents under section 117(d) of the tax code. That section allows IIT to offer this benefit tax-free, meaning that the value of the undergraduate tuition benefit is excludable from the employee's gross income.

In addition to the foregoing benefit, section 127 of the tax code includes a provision which makes employer-provided tuition benefits up to \$5,250 per calendar year excludable from gross income. Unlike the benefit offered under section 117(d), this provision applies to graduate as well as undergraduate courses.

Graduate level tuition benefits above \$5,250 are subject to income tax and, therefore, to withholding. Section 132 of the Internal Revenue Code contains the only exception to taxability, and this exception applies to courses taken by IIT employees when the course is job-related and meets all of the requirements set out in paragraph 1.162-5 of the federal tax regulations as discussed below.

Under paragraph 1.162-5, in order for the tuition remission in excess of \$5,250 to be excludable from income and thus not subject to tax, the course must be required to maintain or improve skills or to meet employer job requirements. The course cannot be used to meet the minimum requirements for the job, nor can it qualify the employee for a new trade or business. Most law school, business school and public administration courses (beyond the \$5,250 limit) are not exempt because they generally qualify the employee for a new trade or business.

To take advantage of the above-described exception, an employee who believes that a course for which he or she is receiving tuition remission is exempt from tax under section 132 must complete a certification form which is available in the bursar's office or online. On this form, the employee must certify that the course is required to maintain or improve skills required in the job, or the course meets requirements of IIT or legal requirements imposed as a condition of retaining the job (e.g., for licensing). In addition, the employee must certify that the course is not required to meet minimum requirements of the job and that it will not qualify the employee for a new trade or business. The employee's supervisor must also sign the form, and a course description must be included. The completed form should be forwarded to the bursar's office. For further information, see also the Internal Revenue Service web site. Search for "educational assistance".

Tuition Remission Taxation Schedule for Taxable Benefits

Internal Revenue Service regulations state that certain educational benefits (graduate level tuition benefits exceeding \$5,250, unless excludable from gross income under Section 132 of the Code) are taxable. Therefore, in accordance with the Internal Revenue Code, IIT will withhold taxes from employee pay according to the below schedule. This schedule is contingent upon timely processing of the Application for Employee Tuition Remission Form that is completed by the employee. If the form is not received in the Bursar Office at least ten days before a pay date, the amount of the educational benefit will be taxed over a shorter period of time thereby increasing the withholding amounts and decreasing the employee net pay.

Please keep in mind the routing process for Employee Tuition Remission Form. After obtaining the appropriate supervisor and departmental approvals, the form goes to Human Resources for approval and, after it is approved, Human Resources sends the form to the Bursar's Office.

Please note the separate schedule for taxation of classes taken during an academic quarter, as opposed to semester. In general, classes that are offered during quarters are Stuart School of Business classes. Appropriate taxes on the taxable education benefit received by an employee will be withheld from pay issued for the following periods:

SEMESTER CLASSES

SEMESTER TAX PERIOD

Summer June 1 - August 30

Fall October 1 - December 31

Spring February 1 - April 30

On the 1st and the 15th day of each month during a taxing period, the Bursar's Office will send the Payroll Office a list of employees that receive a taxable educational benefit and the amount of that benefit. This list will include any additions or changes in registration status. Payroll will make necessary adjustments to the employee's tax withholding on the next paycheck. A letter will be sent to notify the employee of the amount of the benefit taxed and the taxation period. Employees who do not receive this letter, but who expect to be taxed, are responsible for notifying the Payroll Office that they should be taxed.

The taxing periods cannot be extended due to late receipt of the tuition remission application form. Therefore, the employee should be aware that when these forms are received late, deductions would be larger and be made over a shorter period of time, thereby further reducing the employee net pay.

Tuition Remission amounts for certificate programs or other non-credit programs are not considered taxable.

Questions relating to the method of calculation, amount and duration of taxes should be directed to the Payroll Office at payroll@jit.edu or 312-567-3336.

Questions relating to registration and taxable remission amounts should be directed to the Bursar Office at bursar@jit.edu or 312-567-3591.

Questions relating to benefit policies and applications should be directed to Human Resources at hr@jit.edu or 312-567-3318.