

## **Taxability of Tuition and Fee Waivers Associated with Assistantship and Fellowship Appointments**

Current tax law exempts Teaching Assistants (TAs), Research Assistants (RAs), and most Fellows from having to pay taxes on tuition and service fee waivers associated with these appointments. Students holding Graduate Assistantships (GAs) or Pre-Professional Graduate Assistantships (PGAs) will be required to pay taxes on tuition and fee waivers that exceed a value of \$5,250 per calendar year. Most Library assistantships are considered to be in the second category.

Under the University's Educational Assistance Plan that is in compliance with Internal Revenue Code Section 127, \$5,250 per calendar year in tuition and service fee waivers associated with GA and/or PGA appointments are excluded from taxable income. Each semester, GAs and PGAs whose tuition and fee waivers to date are valued at more than \$5,250 will have withholding on the amount exceeding \$5,250. The current tax withholding rate is 25% for federal tax, 5% for state tax, and, if applicable, 4.2% for Social Security and 1.45% for Medicare on the taxable portion.

The tuition waiver is included as taxable income on specified pay periods. Deductions based on the supplemental rate will be withheld from your regular monthly pay. To minimize the impact of the tax, the withholdings are made over more than one pay period during the semester. If the person is on the monthly payroll, then it would be taken out of two pay checks. If the person is on the bi-weekly payroll, then the amounts would be taken out three times.

Notification will be sent each semester to each employee that will be subject to the withholding advising them of the specific pay periods when the transactions will occur.

For more information, students may consult [http://www.ahr.illinois.edu/tuition\\_waiver\\_questions.pdf](http://www.ahr.illinois.edu/tuition_waiver_questions.pdf) , contact the University Payroll Service Center at [payinq@uillinois.edu](mailto:payinq@uillinois.edu) or the Academic Human Resources Office at 217-333-6747 or the IRS Publication 970 [www.irs.gov/pub/irs-pdf/p970.pdf](http://www.irs.gov/pub/irs-pdf/p970.pdf), chapters 12 and 13.