

Taxation on Service (Administrative) Graduate Assistantships

Service (Administrative) Graduate Assistantship (GA) contracts are considered taxable income per IRS regulations. Students assigned a service GA contract can expect to pay tax on both their GA monthly stipend and on their tuition. Teaching and Research Assistantship contracts are exempt from taxation on tuition waivers.

Frequently Asked Questions:

- ❖ Which type of GA position is subject to the taxation of tuition waivers?
 - Under the Internal Revenue Service regulation 127, graduate students classified as a **Service** or **Administrative** GA must pay federal income tax on any portion of their tuition waiver that exceeds \$5,250 in a calendar year. Graduate students classified as Teaching Assistants or Research Assistants are completely exempt from federal income tax on their tuition waivers under IRS regulation 117 and will only pay tax on their monthly stipend.
- ❖ Why are graduate assistants being taxed on their tuition waivers?
 - This is a federal law. Under Internal Revenue Service regulation (IRC127), tuition and fee waivers that total more than \$5250 in a calendar year are counted as taxable income. This means that taxes will be withheld from both a service/administrative GA's monthly stipend and the portion of their tuition waiver over \$5250.
- ❖ How are withholdings determined?
 - The value of the tuition waiver exceeding \$5250 is subject to withholding based on the completed W-4 on file with the EIU payroll office. The total amount withheld may differ among graduate assistants based on the following:
 - The number of exemptions/allowances reported on your w-4.
 - The number of semester hours enrolled per term.
 - Your residency status (domestic vs. international tuition rates).
- ❖ How will the withholdings from my tuition waiver be made?
 - When the value of the tuition waiver exceeds \$5250 in a calendar year, the excess is considered taxable income (as non-cash earnings) and will be included as part your regular earnings from the GA stipend, where the taxable portion of the tuition waiver will be deducted from the monthly assistantship stipend.
- ❖ How will this impact my monthly stipend semester by semester?
 - It is possible that you won't see any additional withholdings from your stipend amount until your 2nd fall semester. For example, if a student's tuition

bill does not exceed \$5250 in the spring term, no federal tax will be taken out. It's only when the student enrolls in a summer and/or a fall term, that the tuition amount will likely exceed \$5250 and thus become taxable income.

- ❖ Will the taxable amount be taken out in lump sum?
 - No. The withholding will be spread over a several month period each semester to minimize the impact of the deduction. If the \$5250 tuition waiver amount is exceeded in the spring semester, withholdings will be taken from February, March, April, and May paychecks. If the \$5250 tuition waiver amount is exceeded in the fall semester, withholdings will be taken from September, October, and November paychecks.
- ❖ Is it possible that the tax withholding will result in a significant reduction in my take home pay?
 - Yes. Your tax liability may result in a significantly reduced or zero paycheck depending on the value of your tuition waivers and the assistantship stipend you receive for the services you perform for the university. You can consult the sample tax table to understand the potential impact for any given term.
- ❖ Is there anything I can do to reduce this tax obligation?
 - If you believe that you are exempt from paying federal taxes, you can claim an exemption from federal tax withholding on your IRS form W-4. You can claim an exemption if you meet the following conditions:
 - You had no federal income tax liability in the previous tax year (meaning your total tax was zero or you received all your withheld federal income tax back as a refund).
 - You expect to have no federal income tax liability in the current tax year.

NOTE: Only domestic students may claim an exemption from federal tax withholdings. Be advised that if you wrongfully claim "exempt" on your w-4 when you do not qualify, you may owe a large tax bill or face penalties at the end of the year.

- ❖ Who do I contact if I have questions concerning the taxation of my graduate assistant tuition waiver?
 - Questions may be directed to the payroll office at (21) 581- 5510.