



Employee Education Program (EEP) Graduate Tuition Taxable Income Acknowledgement

By signing this form, you acknowledge you understand graduate-level tuition waivers above \$5,250 in a calendar year must be reported as income and are subject to taxation, per Section 127 of the Internal Revenue Code, by the IRS. This includes tuition that was paid for dropped classes. **NOTE:** This form only needs to be completed once. For questions, call 859-257-8772 or email edubenefits@uky.edu.

EMPLOYEE INFORMATION

Last name _____ First name _____
Employee/Student ID # _____ Email address _____
Phone _____
Employee signature _____ Date _____

How might these taxes affect you? Everyone's tax situation is different. The following are just three examples of how a graduate-level tuition waiver might affect your taxes and your net pay based on your income, tax status and number of tax exemptions.

Example 1

Mary files single on her taxes and has no dependents. She earns \$45,000 per year and uses the Employee Education Program to pay for 15 credits of in-state graduate tuition in one calendar year.

Her graduate-level tuition is valued at \$14,280 in one calendar year. That leaves \$9,030 that is considered taxable income (the amount above \$5,250). We will record this income as early as possible during the calendar year.

Mary takes six credits in the spring, three in the summer and six in the fall.

Mary is paid biweekly.

Biweekly pay periods #12-#14 (spring semester)

- Spring tuition waivers: \$5,712
- Taxable income: \$462
- Additional taxes collected: \$118.50
- Mary's biweekly paycheck will be reduced by \$39.50 each paycheck.

Biweekly pay periods #16-#20 (summer)

- Summer tuition waivers: \$2,856
- Taxable income: \$2,856
- Additional taxes collected: \$732.56
- Mary's biweekly paycheck will be reduced by \$146.51 each paycheck.

Biweekly pay periods #21-#26 (fall)

- Fall tuition waivers: \$5,712
- Taxable income: \$5,712
- Additional taxes collected: \$1,465.14
- Mary's biweekly paycheck will be reduced by \$244.19 each paycheck.

The above calculations assume 2% local tax, 5% state tax, 7.65% Social Security and Medicare tax and 11% federal tax.

Example 2

Joe files married on his taxes and has two dependents. He earns \$45,000 per year and uses the Employee Education Program to pay for 15 credits of in-state graduate tuition in one calendar year.

His graduate-level tuition is valued at \$14,280 in one calendar year. That leaves \$9,030 that is considered taxable income (the amount above \$5,250). We will record this income as early as possible during the calendar year.

Joe takes six credits in the spring, three in the summer and six in the fall.

Joe is paid biweekly.

Biweekly pay periods #12-#14 (spring semester)

- Spring tuition waivers: \$5,712
- Taxable income: \$462
- Additional taxes collected: \$109.26
- Joe's biweekly paycheck will be reduced by \$36.42 each paycheck.

Biweekly pay periods #16-#20 (summer)

- Summer tuition waivers: \$2,856
- Taxable income: \$2,856
- Additional taxes collected: \$675.44
- Joe's biweekly paycheck will be reduced by \$135.09 each paycheck.

Biweekly pay periods #21-#26 (fall)

- Fall tuition waivers: \$5,712
- Taxable income: \$5,712
- Additional taxes collected: \$1,350.89
- Joe's biweekly paycheck will be reduced by \$225.16 each paycheck.

The above calculations assume 2% local tax, 5% state tax, 7.65% Social Security and Medicare tax and 9% federal tax.

Example 3

Same as example 2, except Joe is paid monthly.

Monthly pay periods #5-#6 (spring semester)

- Spring tuition waivers: \$5,712
- Taxable income: \$462
- Additional taxes collected: \$109.26
- Joe's monthly paycheck will be reduced by \$54.63 each paycheck.

Monthly pay periods #7-#8 (summer)

- Summer tuition waivers: \$2,856
- Taxable income: \$2,856
- Additional taxes collected: \$675.44
- Joe's monthly paycheck will be reduced by \$337.72 each paycheck.

Monthly pay periods #10-12 (fall)

- Fall tuition waivers: \$5,712
- Taxable income: \$5,712
- Additional taxes collected: \$1,350.89
- Joe's monthly paycheck will be reduced by \$450.30 each paycheck.

The above calculations assume 2% local tax, 5% state tax, 7.65% Social Security and Medicare tax and 9% federal tax.