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#### PURPOSE

The purpose of this policy is to outline the Tuition Waiver program. This policy complies with the Merit System Rules and all agreements between the State of New Jersey and the organized employee units. This policy is subject to the availability of funds.

#### POLICY

The Tuition Waiver program provides tuition assistance to allow employees to take approved courses at the university. Employees requesting a Tuition Waiver must agree to pursue all such course work at a time other than at times when the employee is scheduled for regular or emergency work assignments at the University. Attendance and related responsibilities must in no way adversely affect the efficiency or employment of such staff members. The Tuition Waiver covers the fall, spring and summer sessions (winter intercession is not covered by the Tuition Waiver policy)

#### ELIGIBILITY

Eligible employees±



Ineligible programs and courses ± All non-credit courses, study abroad programs, consortium agreements at other institutions, internships or courses where faculty/other institutions are paid on a per-student bases are not eligible to receive this waiver. All doctoral programs are also not eligible.

**EXPENSES NOT COVERED**

Travel, books, fees and expenses are ineligible under this program. Tuition assessed for ineligible programs and courses.

**GRADE REQUIREMENTS**

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## Taxability of Tuition Waiver Policy for Employees (Graduate Students Only)

New Jersey City University offers employees the opportunity to pursue higher education free of charge. This exceptional benefit is offered for both undergraduate and graduate coursework. While undergraduate Tuition Waiver is generally not taxed for employees of educational institutions, the Internal Revenue Service has ruled that the graduate tuition benefit is not excluded from the income of these employees.

### WHEN IS TUITION WAIVER TAXED?

Graduate level Tuition Waivers are not excludible under I.R.C. § 117(d) unless the employees are graduate students working as research or teaching assistants. On the other hand, graduate level Tuition Waivers are excludible under I.R.C § 127 up to \$5,250 per year, provided the program meets the requirements in I.R.C § 127(b). Finally, graduate level Tuition Waivers which exceed the limitations of I.R.C. § 127 may be excludible under I.R.C § 132 as long as the courses are part of an educational assistance program under § 127 and the tuition would be deductible under § 162 if the employees paid it themselves.

Under Internal Revenue Code (IRC) Section 127, employees enrolled in graduate level classes and who receive employer provided tuition benefits or graduate Tuition Waivers must include in income the amount of Tuition Waivers that exceed \$5,250 in a calendar year.

Employees whose education is considered job related under IRC section 132(j) as a working condition fringe benefit.

The IRS has identified four conditions in making this determination:

- x The education must be required by your employer or by law to maintain your current job, salary, or status as long as it serves the business purpose of your employer OR,
- x The education is needed to maintain or improve skills needed in your present job. If your education is not required by your employer or the law, it can be qualifying work-related education only if it maintains or improves skills needed in your present work. This could include refresher courses, courses on current developments and academic or vocational courses.
- x The education cannot be a part of the program of study that can qualify you for a new trade or business.
- x The education cannot be used to meet the minimum educational requirements of your present job.

### WHAT HAPPENS TO THE TAXES THAT ARE WITHHELD?

The additional taxable income and taxes withheld are reported on the W-2 form. The University is required to issue W-2 forms to employees by January 31st to provide the information necessary for completing their tax returns. Educational assistance in excess of the excludable amount is subject to Federal, Social Security, and Medicare taxes.

The following example illustrates how this process works for an employee of an educational institution who



additional taxable income reported in boxes 1, 3, and 5 of his/her W-2 (\$10,250 Tuition Waiver received less \$5,250 exclusion) at the end of the year.

Federal income tax withheld for the year (reported in box 2) would include \$1,100 (\$5,000 additional taxable wages \* 22% withholding rate) more than the amount withheld against wages alone.

Social Security tax withheld for the year (reported in box 4) would include \$310 (\$5,000 additional taxable wages \* 6.2% tax rate) more than the amount withheld against wages alone.

Medicare tax withheld for the year (reported in box 6) would include \$72.50 (\$5,000 additional taxable wages \* 1.45% tax rate) more than the amount withheld against wages alone.

The table below shows where the taxable income and taxes withheld are reported on the W-2 Form. Type of Tax	W-2 Taxable Wages	W-2 Taxes Withheld	Percent
Federal Income Tax	Box 1 \$5,000.00	Box 2 \$1,100.00	22% Supplemental rate



What classes and charges make up the amount of Tuition Waiver reported to The Office of Human Resources? I do not agree with the amount reported to The Office of Human Resources. As a matter of confidentiality and privacy, The Office of Human Resources does not have access to the details of your student records or your student account. You may view the details of your student account online using the Gothic NetS R U W D O R U F R Q W D F W W K 3045. Any changes or corrections to your Tuition Waiver



CWID _____	Last Name: _____	First Name: _____	NJCU Email: _____
Employee Status: _____	Job Title: _____	Supervisor: _____	Phone Ext.: _____
Year: _____	Semester: _____	Degree: _____	College: _____

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I certify that the above answers are accurate. I have read and accept the terms and conditions of the Tuition Waiver Policy and Taxability of \_\_\_\_\_ Tuition Waiver for \_\_\_\_\_ Employees.  
( PSOR\HH\1V 6LJQDWXUH \_\_\_\_\_ Date: \_\_\_\_\_