

TUITION WAIVER TAXABILITY GUIDELINES

This chart provides a general overview of the taxability of various types of tuition waiver. It does not constitute tax advice. Each employee or recipient of tuition waiver is strongly encouraged to discuss all questions related to tax liability with her or his tax advisor. See also www.irs.gov/index.html

WHO IS THE STUDENT	UNDERGRAD OR GRADUATE	TAXABLE OR NOT TAXABLE FOR FEDERAL INCOME TAX	NOTES
1)-Faculty/Staff	Undergraduate ----- Graduate	Not Taxable IRS Sec 117(d) ----- Annually, the first \$5,250 is Not-Taxable. Any amount over \$5,250 is TAXABLE IRS Sec 127	Federal law determines the federal tax treatment of tuition benefits for employees.
2)-Spouse (legally recognized by federal tax law) or widow/er (provided faculty died while employed as a full-time faculty member)	Undergraduate ----- Graduate	Not Taxable-IRS Sec 117(d) ----- 100% Taxable	Federal law determines the federal tax treatment of tuition benefits for spouses.
3)-Other Qualified Adult (OQA) – Not legally recognized by federal tax law.	Both	100% Taxable	The extension of tuition waiver benefits to an OQA requires the inclusion of the value of such payments in the gross income of the employee to whose benefit such amounts are paid.
4)-FEDERAL TAX DEPENDENT WHO IS EMPLOYEE'S: -Biological Daughter/Son -Stepdaughter/Stepson -Legally adopted Daughter/Son <i>A child who does not qualify as a dependent under the "Qualifying Child" rules may qualify as a dependent as a "Qualifying Relative"</i> ²	Undergraduate Full-Time ¹ ----- Graduate ----- Undergraduate Part-Time ³	Not Taxable IRS Sec 117 (d) ----- 100% Taxable ----- Not Taxable-IRS Sec 117(d)	Employee must claim the student as a dependent on the employee's federal tax return for the year in which the tuition waiver is granted. ----- Part-time must qualify as a dependent under "Qualifying Relative" rules.
5)-EMPLOYEE'S: -Biological Daughter/Son -Stepdaughter/Stepson -Legally adopted Daughter/Son <i>If Employee is divorced or separated from child's other parent who claims child as a tax dependent.</i>	Undergraduate Full-Time ¹ ----- Graduate ----- Undergraduate Part-Time ³	Not Taxable IRS Sec 117 (d) ----- 100% Taxable ----- Not Taxable-IRS Sec 117(d)	Divorced/separated spouse must claim the student as a dependent on his/her tax return for the year in which tuition waiver is granted to the employee. ----- Part-time must qualify as a dependent under "Qualifying Relative" rules.
6)- Dependent of OQA <i>Must meet the IRS definition of a dependent.¹ Alternatively, a child who does not qualify as a dependent under the "Qualifying Child" rules may qualify as a dependent as a "Qualifying Relative"</i> ²	Both	100% Taxable	The extension of tuition waiver benefits to the dependent of an OQA, requires the inclusion of the value of such payments in the gross income of the employee to whose benefit such amounts are paid.
7)-Special Lecturer	Undergraduate ----- Graduate	Not Taxable-IRS Sec 117(d) ----- Annually, the first \$5,250 is Not-Taxable. Any amount over \$5,250 is TAXABLE IRS Sec 127	Eligible for up to 8 credits per appointment year. Credits are transferrable to spouse & dependents. Transferring Graduate credits become 100% taxable. (See items 2 thru 6 for spouse and dependent guidelines.)

¹ IRS regulations define a qualifying child as an individual who is under the age of 24 and a full-time student for at least five months of the year. A qualifying child who is a full-time student at another college or university is eligible for tuition waiver as a guest student at Oakland University.

² IRS regulations define a qualifying relative as someone who meets the relationship test, whose gross income is less than the "Standard Personal Tax Exemption", and meets the 50% support test.

³ Part-time status as defined by Oakland University is less than 12 credit hours per semester for undergraduate; and less than 8 credit hours per semester at graduate level.