

**BAYLOR UNIVERSITY
MEMORANDUM**

TO: Baylor University Personnel Receiving Tuition Remission or Educational Assistance

FROM: Mark Falsone, Director of Personnel Budgeting and Payroll Services

DATE: September 15, 2014

SUBJECT: Taxable Tuition Remission and Educational Assistance

Baylor University is currently providing tuition remission or educational assistance for you, your spouse, or a child. According to Internal Revenue Service guidelines, employer-provided tuition remission and educational assistance is taxable in the following cases and the Payroll Office will withhold employment taxes:

- Graduate and Seminary educational assistance in excess of \$5,250 per calendar year for employees.
- Graduate and Seminary tuition remission for spouse.
- Graduate, Seminary and Law tuition remission for children.

In addition, the following is taxable:

- Undergraduate tuition remission for children beginning the calendar year in which they can no longer be claimed as a dependent. **You are required to notify the Payroll Office immediately with a written statement or e-mail notification should your child no longer qualify as your dependent. Also, you must notify the Payroll Office if your child marries.** The Payroll Office will automatically treat the tuition remission as taxable income for each of the below described situations unless the child still qualifies as your dependent (see test below) and you complete and submit the *Tuition Remission Dependent Certification Form* to the Payroll Office. This form is available at the following website:
<http://www.baylor.edu/content/services/document.php?id=16844>
 - Child is 24 years of age or older or will be turning 24 years of age during this calendar year.
 - Child is 19 to 23 years of age and a part-time student for the calendar year.
 - Child is married or marries in the calendar year. Tuition remission will be taxed beginning the semester following the date of marriage.

If you (or your spouse, if filing a joint return) can be claimed as a dependent by another person, then you cannot claim anyone as a dependent.

A child must be your Qualifying Child **or** Qualifying Relative to be your dependent

Qualifying Child (All five tests must be satisfied)

- Residence Test – Child must have same main home as parent for at least half of the calendar year (excludes temporary absences).
- Age Test – Child must be: (1) under age 19 at the end of the calendar year; (2) under age 24 at the end of the calendar year and be a full-time student for at least 5 months of the year; or (3) any age if permanently and totally disabled.
- Support Test – Child must not provide more than half of his/her own support for the calendar year.
- Citizen or Resident Test – Child must be a U.S. citizen or a resident of U.S. or contiguous country.
- Joint Return Test – Child is married and does not file a joint return for the calendar year, unless the return is filed only to receive a refund and no tax liability would exist for either spouse had they filed separate returns.

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If your child is not a Qualifying Child of any taxpayer, he/she may still be your dependent as a Qualifying Relative.

Qualifying Relative (All four tests must be satisfied)

- Gross Income Test – Child’s gross income for the calendar year must be less than \$3,950.
- Support Test – Employee must provide more than half of child’s total support for the calendar year.
- Citizen or Resident Test – same as above for Qualifying Child.
- Joint Return Test – same as above for Qualifying Child.

Taxes for summer/fall tuition will be withheld on the remaining pay dates of the fall semester. Taxes withheld for the summer/fall for individuals paid once a month will be all pay dates beginning September 30 through December 23. For individuals paid every two weeks, these pay dates for withholding will be all pay dates beginning October 3 through December 26.

Please contact Karen Ayers in the Payroll Office, ext. 8660, or email Karen_Ayers@Baylor.edu, if you have any questions.