

EMPLOYEE TUITION WAIVER POLICY

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 – All full-time, permanent employees are eligible for this Tuition Waiver Program once they have successfully completed all required Probationary periods.

Ineligible Employees - Employees in temporary or provisional status. _Employees whose last performance evaluation is unsatisfactory or below standard.

BENEFIT AMOUNT

The benefit amount per year is determined by each individual union contracts. Below are the current contract benefits:

AFT - The maximum amount of waiver available per person is not to exceed the cost of six credits per semester or education program, including summer.

CWA - Employees are eligible to receive up to twenty-four credits per calendar year.

IFPTE – Employees are eligible to receive up to twenty-four credits per calendar year.

AFSME - Employees are eligible to receive up to twenty-four credits per calendar year.

TAXATION OF BENEFITS (applies to Graduate Students Only) see Taxability of Tuition Waiver Policy

Graduate student waivers - *Graduate students: Please be advised that as mandated by the IRS, amounts of tuition and fees in excess of \$5,250 are subject to taxation in the calendar year in which the expense is incurred.*

PROGRAMS COVERED

Programs and courses covered – Most courses at the university are covered by the Tuition Waiver policy. Below are the ineligible programs and courses:

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

Employees who do not satisfactorily complete courses for which a Tuition Waiver has been granted, such as receiving a grade below "C" or withdrawing from a course with a "W" grade, shall be required to reimburse the University for all waived costs. Payment must be made upon notice of the required reimbursement. Until such reimbursement has been made, no further waivers will be granted to such employee. Notification must be given to the Bursar's Office via e-mail (waivers@njcu.edu) when a change of grade to an *incomplete grade* occurs.

PROCEDURES

1. Employees must be accepted into the undergraduate or graduate program at the university through the admissions department.
2. Registration for classes begins on the 2nd day of the semester for employees utilizing a Tuition Waiver. Employees cannot register prior to this designated special registration date. Registrations prior to this date render the employee ineligible to use the Employee Tuition Waiver. .
3. Once registration is completed you must complete a New Jersey City University Employee Request for Tuition Waiver Form, which is available in the Human Resources Department.
4. Submit the completed New Jersey City University Employee Request for Tuition Waiver Form to the Human Resources Department with all the required approval signatures from your supervisor and Office of Financial Aid for final approval by Human Resources. Employees must have a Free Application for Federal Student Aid (FAFSA) on file at NJCU for the corresponding semester and verified by the NJCU Financial Aid Office. Please be aware that if you receive any financial aid grants or scholarship assistance these awards will reduce the amount of your Tuition Waiver.
5. You must clear your tuition bill in the Bursar's Office. Employees are responsible to pay any applicable mandatory fees as well as all other course/student related fees.
6. All waivers and fee payments need to be submitted to the Bursar's Office by the posted payment deadline for each semester.

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:

- 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,
- 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.
- The education cannot be a part of the program of study that can qualify you for a new trade or business.
- 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 received \$10,250 of graduate-level Tuition Waiver during the tax year. It also illustrates how the process works for someone who is not an employee at an educational institution and who receives \$10,250 of undergraduate-level Tuition Waiver during the tax year.

Example: An employee who has received \$10,250 in taxable Tuition Waiver benefits would have \$5,000 of



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 Withheld Taxes	Percent
Federal Income Tax	Box 1 \$5,000.00	Box 2 \$1,100.00	22% Supplemental rate
Social Security	Box 3 \$5,000.00	Box 4 \$310.00	6.2% Up to the annual maximum
Medicare	Box 5 \$5,000.00	Box 6 \$72.50	1.45 % Unlimited
Total Taxes	\$1,482.50	29.65%	

The additional \$1,482.50 in taxes (\$1,100 federal + \$310 Social Security + \$72.50 Medicare) due on the additional income must be withheld from the employee’s paychecks.

HOW IS THE TAXABLE BENEFIT DETERMINED?

At the beginning of the fall semester, The Office of Human Resources runs a report indicating the total dollar amount of Tuition Waiver received by employees during the current tax year. The tax year is not tied to the academic year and includes all Tuition Waiver applied to the student’s account for coursework taken in the current calendar year.

If the amount received by an employee exceeds the annual excludable amount (\$5,250), the excess must be added to the employee’s taxable wages in the calendar year the employee receives the benefit. The increase in taxable wages will increase the taxes withheld from your paycheck and reduce your net pay.

WHEN ARE THE TAXES WITHHELD FROM EMPLOYEES’ PAYCHECKS?

To minimize the impact on your net pay, once The Office of Human Resources determines that additional tax withholding is required, the additional taxes will be spread out evenly across the paychecks issued during the current calendar year. If you have already received one or more paychecks during the current calendar year, the additional taxes will be spread out across the *remaining* paychecks that you will receive during the calendar year.

Frequently Asked Questions for Taxability of Tuition Waiver for Employees

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 Net portal or contact the Bursar's office at (201) 200-3045. Any changes or corrections to your Tuition Waiver charges must be processed through the Bursar's Office

I am a graduate student. Are undergraduate-level courses counted toward the \$5,250 annual exclusion?

Graduate Tuition Waiver is *not* covered under section 117(d) of the Internal Revenue Code, which fully excludes undergraduate coursework. Graduate Tuition Waiver is, instead, covered under section 127 of the Code, which sets an annual limit of \$5,250 for the exclusion of employer-paid tuition expenses for both undergraduate and graduate coursework. Therefore, all coursework taken by a graduate student, regardless of the level, counts toward the annual exclusion.

I believe the graduate-level courses I am taking are related to my job and, therefore, qualify as a "working-condition fringe benefit." Why can't I be exempt from tax withholding on my graduate courses? Can I spread the collection of the additional tax withholding out beyond the scheduled timeframe?

All income is considered taxable when the benefit is received by the employee. The Office of Human Resources is required to withhold the taxes in the calendar year in which the benefit is received.

Can I pay these taxes directly to the University rather than have them withheld from my paychecks?

The IRS does not permit the University to accept payments directly from an employee toward the employee's income tax withholding. Income taxes required to be withheld must be withheld from an employee's paychecks.

•Can the University record the additional taxable income on my W-2 but not withhold any additional taxes? I will pay them myself when I file my return.

While the IRS does allow employers to record the taxable income associated with certain benefits without requiring additional income taxes to be withheld, educational assistance is not one of these benefits. The University is required to withhold taxes for this additional income.

Why is the federal tax withholding rate so high? Can I change the withholding rate?

Income earned in addition to (supplemental) your regular salary is subject to the highest tax rate that you pay on the federal graduated tax tables. The IRS defines a flat supplemental tax withholding rate, to be used for income over and above an employee's regular salary, which is pegged to the third lowest tax rate of the federal graduated tax tables. This is currently set at 22%.

We cannot change the rate of withholding on this additional income. If you feel that your total federal income tax withholding for the year will exceed your tax liability, you may submit a new W-4 Form to The Office of Human Resources changing the number of exemptions you claim. Please see IRS Publication 505, available on the IRS website, for instructions on how to estimate.



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

TUITION WAIVER INFORMATION FOR EMPLOYEES (COPY OF COURSE DESCRIPTION MUST BE ATTACHED)

To be completed by Employee – Education Objective – Individual Courses

Course Title	Course #	Meeting Days	Meeting Time	Credits

To be completed by Employee’s in Graduate Level Courses ONLY

I believe that the graduate level course(s) listed above may be excluded from my gross income under section 162 of the Internal Revenue Code, I certify these courses*:

- (1) Maintain or improve skills required in my employment Yes No
- (2) Meet the express requirements of my employer, or the requirements of applicable laws or regulations, imposed as a condition of retaining my job, status, or rate of pay. Yes No
- (3) Are required to meet the minimum educational requirements. Yes No
- (4) Will qualify me for a new trade or business. Yes No

*To qualify for income exclusion, a “yes” answer is required for both statement (1) or (2), and a “no” answer is required for both statements (3) and (4).

Employee and supervisor certification –To be completed by the Employee and Supervisor.

I hereby certify that all of the courses I am taking this term meet the IRS definition of job related as defined in Treasury Regulation Section 1.162.5. I also understand that the above courses are not job related, I am responsible for any assessed taxes and penalties.

Employee’s Signature: _____ **Date:** _____

I certify that I am this employee’s supervisor or department head, that this form is accurately completed, and that the course or program is job related as defined by the IRS, to the best of my knowledge. I certify that I have compared the description(s) of the course(s) listed above with the employee’s job description and agree with the representations above.

Supervisor’s Signature: _____ **Date:** _____

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.

Employee’s Signature: _____ **Date:** _____

Please print and sign your name below
 Supervisor’s Signature: _____ Date: _____
 Financial Aid Office Approval: _____ Date: _____
 Human Resources Approval: _____ Date: _____