

Tax Information for Tuition Remission

This information is being provided to AAUP-BHSNJ members at Rutgers University. Rutgers has routinely taxed the tuition remission benefit provided to faculty and applied withholding to it. We believe it should not be taxed.

The IRS Publication 15-B provides guidance on what benefits are considered taxable. Under Education Assistance, it reads:

“You can exclude up to \$5,250 of educational assistance you provide to an employee under an educational assistance program from the employee's wages each year.”

In addition, the section entitled “Working Condition” benefits states:

“Education. Certain job-related education you provide to an employee may qualify for exclusion as a working condition benefit. To qualify, the education must meet the same requirements that would apply for determining whether the employee could deduct the expenses had the employee paid the expenses. Degree programs as a whole don't necessarily qualify as a working condition benefit. Each course in the program must be evaluated individually for qualification as a working condition benefit. The education must meet at least one of the following tests.

- *The education is required by the employer or by law for the employee to keep his or her present salary, status, or job. The required education must serve a bona fide business purpose of the employer.*

- *The education maintains or improves skills needed in the job.*

However, even if the education meets one or both of the above tests, it isn't qualifying education if it:

- *Is needed to meet the minimum educational requirements of the employee's present trade or business, or*

- *Is part of a program of study that will qualify the employee for a new trade or business.”*

Applied here, as RBHS Lecturers do not yet have a terminal degree and must be promoted within 10 years. coursework associated with obtaining such terminal degree is “required to maintain the job.” Additionally, ranks higher than RBHS Lecturer require a terminal degree. Finally, the terminal degree coursework is not required for the “minimum education requirement” of the RBHS Lecturer nor is it for a “new trade or business.” Hence, the job-related education is qualifying, and the cost can be excluded from taxation.

For more information, email membership@aaupbhsnj.org or call 732-247-8855

This notice is intended as generalized advice and not specific to any individual tax situation.