

## **Frequently Asked Questions for Graduate Students**



UNIVERSITY OF  
SOUTH DAKOTA

- **Who will be impacted by the taxation of tuition waivers?**  
Those individuals who are classified as Graduate Administrative Assistants. Graduate Research and Teaching Assistants are exempt from this taxation. Refer to your assistantship contract to determine your classification.
- **Why are Graduate Admin Assistants being taxed on their tuition waivers?**  
This is required by federal law. Under Internal Revenue Service regulation (IRC 127), tuition waivers awarded to Graduate Admin Assistants are to be considered taxable income once the total tuition waiver amount exceeds \$5,250. This means that Graduate Admin Assistants who receive more than \$5,250 in tuition waivers in a calendar year must be taxed on the amount exceeding the allowable amount.
- **How is the withholding amount determined?**  
The value of the tuition waiver exceeding \$5,250 is subject to withholding tax based on the completed W-4 on file with the Payroll Office. As such, the amount withheld may differ among Graduate Admin Assistants. Questions should be directed to the Payroll Office, 605-658-3662.
- **The tuition waiver does not come in the form of a payment to me. How will the withholding be made?**  
When the value of the tuition waiver exceeds \$5,250 in a calendar year, the excess is includable as taxable income as non-cash earnings. This means you will not see a pay increase in your check, but rather the excess waiver amount is added to your regular earnings. When non-cash earnings are added to your assistantship stipend, the University must calculate and withhold the additional tax due.
- **What happens to the taxes that are withheld?**  
Both the amount of taxable income associated with the waiver (amount exceeding \$5,250 in the calendar year) and the taxes that the University withholds with respect to such income are reported on Form W-2. The taxes that the University withholds are forwarded to the IRS and credited on your tax liability for the year.
- **Is it possible that the tax withholding will result in my take home pay in those pay periods to be significantly reduced or reduced to zero?**  
Yes. Your tax liability may result in a zero paycheck depending on the value of your waivers and the assistantship stipend you receive for the services you perform for the University.
- **How many credits does a Graduate student need to be enrolled in to be considered for the FICA (social security and Medicare tax) exemption?**  
A graduate student must be actively enrolled in 5 credit hours during the Fall/Spring semesters and/or 3 credit hours for the Summer semester to be considered for the FICA exemption.
- **Who do I contact if I have questions concerning the taxation of Graduate Admin Assistant tuition waivers?**  
General questions may be directed to the Graduate School (605) 658-6173. Specific questions concerning withholdings may be directed to the Payroll Office 605-658-3662.