

Examples of Tuition Waiver Tax Calculations

Everyone has a different tax situation which will result in different tax amounts being due if tuition waiver amounts are added to income. Several factors have an impact, including your pay amount, tax allowances claimed on your federal and state tax forms and the amount of any pre-tax benefit deductions (medical, FSA/HSA, retirement plans) you have deducted from your pay.

In the below examples, all three employees have the same earnings and the same tuition waiver amounts, but their taxes vary due to their tax allowances and pre-tax deductions. These examples are general estimates, and actual taxes will depend upon each individual's situation.

Example 1:

1. Employee John earns \$60,000 per year.
2. He is claiming Single with no other dependents or adjustments on his federal tax form and 2% on his state tax form.
3. He is covering only himself on PPO350 Medical, Comprehensive Dental and Vision with no other pre-tax deductions.
4. Amount of taxable tuition waiver: \$1,200.00
5. We would divide the taxes due of \$274.00 over 4 payrolls. John will have an additional \$68.50 in taxes withheld for each of the 4 payrolls.

Example 2:

1. Employee Mary earns \$60,000 per year.
2. She is claiming Married with the 2C box checked on her federal tax form and 2% on her state tax form.
3. She has Family coverage on PPO350 Medical, Comprehensive Dental and Vision and has \$100.00 per pay going to her FSA.
4. Amount of taxable tuition waiver: \$1,200.00
5. We would divide the taxes due of \$260.00 over 4 payrolls. Mary will have an additional \$65.00 in taxes withheld for each of the 4 payrolls.

Example 3:

1. Employee Hannah earns \$60,000 per year.
2. She is claiming Married with the 2C box checked on her federal tax form and 3.5% on her state tax form.
3. She is covering only herself on PPO350 Medical, Comprehensive Dental and Vision with no other pre-tax deductions.
4. Amount of taxable tuition waiver: \$1,200.00
5. We would divide the taxes due of \$292.00 over 4 payrolls. Hannah will have an additional \$73.00 in taxes withheld for each of the 4 payrolls.

If you have specific questions regarding your tax liability, we recommend that you contact your financial/tax advisor.