

Tuition Remission Taxation Frequently Asked Questions

1. Who should I contact with questions regarding tuition remission?

Questions regarding the inclusion of graduate-level tuition remission benefits in your taxable wages should be directed to the Payroll Department at (313) 993-1036.

Questions regarding your eligibility, application for and approval of tuition remission benefits should be directed to the Human Resources Department at (313) 993-1036.

Questions regarding the timing and amount of tuition remission credits applied to your student account should be directed to the Student Accounting Office at (313) 993-1420.

2. What classes and charges make up the amount of graduate-level tuition remission reported to Payroll? I do not agree with the amount reported to Payroll.

The Payroll Department 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 [Titan Connect](#) portal or contact the Student Accounting Office at (313) 993-1420. Any changes or corrections to your tuition remission charges must be processed by the Student Accounting Office and/or Financial Aid.

3. Why is the additional tax withholding from my pay so high?

Because the federal tax withholding must be at the supplemental rate of 22%, the total amount of taxation (based on 2018 tax rates) is 35.15% for non-residents of the City of Detroit and 36.4% for residents of the City of Detroit. These rates must be charged on the full value of the tuition remission benefit received (less the once per year \$5,250 exclusion for any benefit received by the employee for graduate level courses they are taking, but not their spouse or child).

4. 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 Payroll Office is required to withhold the taxes in the term in which the benefit is received.

5. Can I delay the start of the additional tax withholding to a future paycheck?

Unfortunately, we cannot accommodate this request. Taxes on your graduate tuition benefit must be recorded and collected by the end of the term in which the benefit is reported. Tracking the amount of your graduate tuition benefit in excess of \$5,250 will enable you to plan in advance for the taxes to be withheld.

6. 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.

7. Why are the withholding amounts always higher at the end of the year, when I need money the most?

Tuition remission you receive at the beginning of the year is not taxed under the \$5,250 exclusion. Once you exceed that amount, every dollar of the graduate level tuition remission benefit is taxable. If you are taking graduate courses throughout the year, this means that the additional income and additional taxes will always occur in the latter part of the year. Employees receiving this taxable benefit should plan accordingly for the decrease in net pay that will occur when the additional taxes are withheld.

8. Is there any way to avoid having these taxes come out of my pay?

Taxation must be applied in the case of graduate level tuition remission benefits received. Employees who do not apply for the tuition remission benefit, and who elect to pay for their graduate level coursework themselves, have not received a benefit and thus are not required to have any taxation withheld from their pay. Employees who would consider this should keep in mind that despite the taxes, claiming the benefit still provides an opportunity for discounted Detroit Mercy tuition.