

How to Calculate Graduate Tax

To get started, you will need a copy of your most recent paycheck and the cost per hour of your academic program for the current term.

Things to remember when calculating your taxable amount:

- Tuition Benefits will cover up to 18 semester hours of credit-bearing study during an academic year for employees pursuing a degree. There is no limit on the number of semester hours Tuition Benefits will cover for a spouse. The academic year begins every Fall term and ends with the Summer term.
- Employees enrolled in a taxable graduate program are eligible for an annual IRS exclusion for the first **\$5,250** of Tuition Benefits each calendar year. A spouse enrolled in a taxable graduate program is not eligible for the exclusion.
- Tuition Benefits in excess of \$5,250 are taxable and will be added to your income. The entire amount of Tuition Benefits paid for your spouse is taxable and will be added to your income.
- The **Monthly Breakdown Table** below indicates the months that taxable Tuition Benefits will be reported as taxable income on your paychecks during the term(s) in which you are enrolled.

| | | | |
|--|---------|----------|----------|
| Fall Term: Three checks total if you are paid monthly ; six checks total if you are paid biweekly . | October | November | December |
| Spring Term: Three checks total if you are paid monthly ; six checks total if you are paid biweekly . | March | April | May |
| Summer Term: Two checks total if you are paid monthly ; four checks total if you are paid biweekly . | July | August | |

You will need the following information from a recent paycheck (that does not include a taxable Tuition Benefits amount):

| | |
|---|--|
| Current Federal Taxable Gross Pay | \$ |
| Current Federal Withholding Amount | \$ |
| Current FED MED/EE (Medicare) | \$ |
| Current FED OASDI/EE (Social Security) | \$ |
| Current Tax Status | <input type="checkbox"/> Single <input type="checkbox"/> Married |
| Current Number of Allowances | |
| Pay Frequency | <input type="checkbox"/> Biweekly <input type="checkbox"/> Monthly |

Graduate Tax Worksheet

This worksheet can help you determine the additional amount that will be deducted from your paycheck when you and/or your spouse are receiving Tuition Benefits for a taxable graduate program.

IMPORTANT: *This worksheet is provided as a tool. It is your responsibility to fully understand your tax liability and it may be beneficial for you to consult with a tax professional.*

| | | | |
|--|---|----------|----|
| A | Tuition Cost for Term <ul style="list-style-type: none"> • Tuition cost per hour: \$ _____ x _____ Hours (current Term) = | A | \$ |
| B | Scholarship Amount Awarded (if applicable): | B | \$ |
| C | Covered Tuition Cost <ul style="list-style-type: none"> • Line A - Line B = | C | \$ |
| D | Exclusion Amount: Employees enrolled in a taxable graduate program are eligible for an annual IRS exclusion for the first \$5,250 of Tuition Benefits each calendar year . A spouse is not eligible for the tax exclusion (enter \$0). | D | \$ |
| E | Total Taxable Tuition Benefit <ul style="list-style-type: none"> • Line C - Line D = | E | \$ |
| F | Number of Paychecks in Term (see Monthly Breakdown Table on pg. 1) | F | |
| G | Taxable Tuition Benefit per Check <ul style="list-style-type: none"> • Line E ÷ Line F = | G | \$ |
| H | Current Federal Taxable Gross: | H | \$ |
| I | New Federal Taxable Gross (FTG) <ul style="list-style-type: none"> • Line G + Line H = | I | \$ |
| Go to PaycheckCity.com for the second phase of the calculation. See instruction on next page. | | | |
| J | Adjusted Federal Withholding → <u>New</u> Federal Withholding (PaycheckCity) minus <u>Current</u> Federal Withholding (pg. 1) <ul style="list-style-type: none"> • New \$ _____ - Current \$ _____ = | J | \$ |
| K | Adjusted Medicare → <u>New</u> Medicare (PaycheckCity) minus <u>Current</u> Medicare (pg. 1) <ul style="list-style-type: none"> • New \$ _____ - Current \$ _____ = | K | \$ |
| L | Adjusted Social Security → <u>New</u> Social Security (PaycheckCity) minus <u>Current</u> Social Security (pg. 1) <ul style="list-style-type: none"> • New \$ _____ - Current \$ _____ = | L | \$ |
| M | Estimated Additional Tax (each paycheck) <ul style="list-style-type: none"> • Lines J + K + L = | M | \$ |
| N | Estimated Additional Tax (all checks) <ul style="list-style-type: none"> • Line M x Line F = | N | \$ |

Visit <http://www.paycheckcity.com/> and select Salary Calculator

| Calculation Date | |
|------------------|---|
| Check Date | <input type="text" value="01/10/2020"/> |
| State | Federal. Select a state |

| General Information | |
|--------------------------------|---|
| Gross Pay | <input type="text" value="0"/> |
| Gross Pay Method | Annually <input type="button" value="v"/> |
| Gross Pay YTD | <input type="text" value="0"/> |
| Pay Frequency | Weekly <input type="button" value="v"/> |
| Use 2020 W4 | <input type="checkbox"/> |
| Federal Filing Status | Single <input type="button" value="v"/> |
| # of Federal Allowances | <input type="text" value="0"/> |
| Additional Federal Withholding | <input type="text" value="0"/> |
| Round Federal Withholding | <input type="checkbox"/> |
| Exempt from Federal Tax | <input type="checkbox"/> |
| Exempt from Fica Tax | <input type="checkbox"/> |
| Exempt from Medicare Tax | <input type="checkbox"/> |

| Voluntary Deductions | |
|-------------------------|---|
| Deduction Name | <input type="text"/> |
| Deduction Amount | <input type="text" value="0"/> |
| Deduction Type | % of Gross Pay <input type="button" value="v"/> |
| YTD Amount | <input type="text" value="0"/> |
| Exempt from Federal Tax | <input type="checkbox"/> |
| Exempt from Fica Tax | <input type="checkbox"/> |
| Exempt from State Tax | <input type="checkbox"/> |
| Exempt from Local Tax | <input type="checkbox"/> |

+ Add Deduction - Remove Deduction

NOTES:

Enter most recent check date

Select state of residence

Input the new FTG from Line I on Worksheet

Select Pay per Period

No entry required

Paid Biweekly or Monthly?

Input your tax status (Single or Married)

Input your number of allowances

Enter \$ amount if you elected additional withholding on your W-4

Optional

Click Calculate