

# 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.

<b>Fall Term:</b> Three checks total if you are paid <b>monthly</b> ; six checks total if you are paid <b>biweekly</b> .	October	November	December
<b>Spring Term:</b> Three checks total if you are paid <b>monthly</b> ; six checks total if you are paid <b>biweekly</b> .	March	April	May
<b>Summer Term:</b> Two checks total if you are paid <b>monthly</b> ; four checks total if you are paid <b>biweekly</b> .	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.*

<b>A</b>	<b>Tuition Cost for Term</b> • Tuition cost per hour: \$_____ x _____ Hours (current Term) =	<b>A</b>	\$
<b>B</b>	<b>Scholarship Amount Awarded (if applicable):</b>	<b>B</b>	\$
<b>C</b>	<b>Covered Tuition Cost</b> • Line A - Line B =	<b>C</b>	\$
<b>D</b>	<b>Exclusion Amount:</b> Employees enrolled in a taxable graduate program are eligible for an annual IRS exclusion for the <b>first \$5,250</b> of Tuition Benefits <b>each calendar year</b> . A spouse is not eligible for the tax exclusion (enter \$0).	<b>D</b>	\$
<b>E</b>	<b>Total Taxable Tuition Benefit</b> • Line C - Line D =	<b>E</b>	\$
<b>F</b>	<b>Number of Paychecks in Term</b> (see Monthly Breakdown Table on pg. 1)	<b>F</b>	
<b>G</b>	<b>Taxable Tuition Benefit per Check</b> • Line E ÷ Line F =	<b>G</b>	\$
<b>H</b>	<b>Current Federal Taxable Gross:</b>	<b>H</b>	\$
<b>I</b>	<b>New Federal Taxable Gross (FTG)</b> • Line G + Line H =	<b>I</b>	\$
<b>Go to PaycheckCity.com for the second phase of the calculation. See instruction on next page.</b>			
<b>J</b>	<b>Adjusted Federal Withholding</b> → <u>New</u> Federal Withholding (PaycheckCity) minus <u>Current</u> Federal Withholding (pg. 1) • New \$_____ - Current \$_____ =	<b>J</b>	\$
<b>K</b>	<b>Adjusted Medicare</b> → <u>New</u> Medicare (PaycheckCity) minus <u>Current</u> Medicare (pg. 1) • New \$_____ - Current \$_____ =	<b>K</b>	\$
<b>L</b>	<b>Adjusted Social Security</b> → <u>New</u> Social Security (PaycheckCity) minus <u>Current</u> Social Security (pg. 1) • New \$_____ - Current \$_____ =	<b>L</b>	\$
<b>M</b>	<b>Estimated Additional Tax (each paycheck)</b> • Lines J + K + L =	<b>M</b>	\$
<b>N</b>	<b>Estimated Additional Tax (all checks)</b> • Line M x Line F =	<b>N</b>	\$

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

Select Calculation date and state	
Check Date	<input type="text" value="12/16/2014"/>
State for withholding	<input type="text" value="Texas"/>

  

General Information	
Gross Pay	<input type="text" value=""/>
Gross Pay Type	<input type="text" value="Pay Per Period"/>
Gross Salary YTD	<input type="text" value="0"/>
Pay Frequency	<input type="text" value="Monthly"/>
Federal Filing Status	<input type="text" value="Single"/>
# of Federal Allowances	<input type="text" value="1"/>
Additional Federal Withholding	<input type="text" value="0"/>
Round Federal Withholding	<input type="radio"/> Yes <input checked="" type="radio"/> No
I am exempt from	<input type="checkbox"/> Federal Tax <input type="checkbox"/> FICA <input type="checkbox"/> Medicare

  

State and Local Information	
Additional State Withholding	<input type="text" value="0"/>
Texarkana Resident	<input type="radio"/> Yes <input checked="" type="radio"/> No
Exempt State	<input type="radio"/> Yes <input checked="" type="radio"/> No

  

Voluntary Deduction Section	
<input type="button" value="Add Deduction"/> <input type="button" value="Remove Deduction"/>	
Deduction #1 Name	<input type="text" value=""/>
Deduction #1 Amount	<input type="text" value=""/>
Deduction #1 Type	<input type="text" value="% of Gross Pay"/>
Ded. #1 Exempt from	<input type="checkbox"/> Federal <input type="checkbox"/> Fica <input type="checkbox"/> State <input type="checkbox"/> Local

  

<input type="button" value="Calculate"/>	<input type="button" value="Clear"/>
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**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

Defaults to No

No entry required if Texas

Optional

Click Calculate