California State University SAN MARCOS

TUITION FEE WAIVER BENEFIT TAXATION EXAMPLE FOR EMPLOYEE TAKING COURSES

The Office of Human Resources | 333 So. Twin Oaks Valley Road ● San Marcos, CA 92096-0001 | (760)750-4418 | feewaiver@csusm.edu

Fee Waiver Taxation for Employees Taking Classes

The Fee Waiver Program is a fringe benefit and as such has strict reporting requirements established by the Internal Revenue Service and the State of California Controller's Office. The reporting requirements state that the fringe benefit must be taxed in the calendar year that the benefit was received. The flat rate tax method is used to determine the amount of imputed tax and is reported as taxable income to the employee.

Tax Status Matrix for Dependent Students

Eligible Student is….	Undergraduate	Graduate / Credential
CSU Employee	Nontaxable	Nontaxable up to $5,250

Employee Fees Waived & Taxable Income Reported

Please note: Amounts listed below are for example only and are not actual amounts.

Estimated Flat Tax Rate: 36.25% (subject to change annually)

Example: Employee in a Masters Program

In this example, the program does not have professional fees, or the program requires professional fees which are not waived, and they are paid by the student.

$ 3,069.00 Spring grad fees waived
$ 3,069.00 Fall grad fees waived
$ 6,138.00 Subtotal
$(5,250.00) Minus annual exclusion amount
$ 888.00 Total value of fees to be taxed
x 36.25% Estimated Flat Tax Rate
$ 321.90 Estimated Imputed Tax to be deducted from a Fall paycheck