



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.

Effective with the 2019 tax year, when the total value of the graduate/doctorate level courses exceeds \$5,250 during the calendar year, the total value (minus the threshold) will be taxed.

Employees may consult a personal tax advisor to determine if courses taken are job-related pursuant to IRC Section 132(d) and submit the deduction on their personal tax return.

Tax Status Matrix when Employee is the Student

Eligible Student is...	Undergrad and Post-Baccalaureate Courses	Graduate Courses
CSU Employee	Nontaxable	Nontaxable up to \$5,250

Employee Fees Waived & Taxable Income Reported for Employee

Note: Amounts listed below are for examples only and are not actual amounts.

Estimated Flat Tax Rate for 2021: 36.25%

Example 1: Employee is in Units 2, 3, 4, 5, 7, or 9, and is in a Master's Program with Professional Fees

\$ 3,140.00	Spring grad fees waived
\$ 1,620.00	Spring professional fees waived (\$270 professional fee/unit X 6 units); Subtotal: \$4,617.00
\$ 3,140.00	Fall grad fees waived
<u>\$ 1,620.00</u>	Fall professional fees waived (\$270 professional fee/unit X 6 units)
<u>\$ 9,520.00</u>	<i>Subtotal</i>
<u>\$(5,250.00)</u>	Minus the tax threshold
<u>\$ 4,270.00</u>	<i>Total value of fees to be taxed</i>
x 36.25%	Estimated Flat Tax Rate
\$ 1,547.88	Estimated Imputed Tax to be deducted from a Fall paycheck

Note: It may be possible to spread the tax over more than one paycheck. To find out more, please contact feewaivers@csuchico.edu.

Example 2: Employee is in Units 1, 6, or 8, and is in a Master's Program

In this example, the program does not have professional fees, or the program requires professional fees and the CBA does not waive them for the employee and they are paid by the student.

\$ 3,037.00	Spring grad fees waived
<u>\$ 3,037.00</u>	Fall grad fees waived
<u>\$ 6,074.00</u>	<i>Subtotal</i>
<u>\$(5,250.00)</u>	Minus the tax threshold
<u>\$ 824.00</u>	<i>Total value of fees to be taxed</i>
x 36.25%	Estimated Flat Tax Rate
\$ 298.70	Estimated Imputed Tax to be deducted from a Fall paycheck

Example 3: Employee is in Units 2, 4, 5, 7, or 9, and is in a Doctorate Program

Note: Employee pays an estimated \$4,000 each term, over and above the fees waived.

\$ 3,140.00	Spring grad fees waived
\$ 3,140.00	Summer grad fees waived; Subtotal: \$4,966.00
\$ 3,140.00	Fall grad fees waived
\$ 9,420.00	<i>Subtotal</i>
<u>\$(5,250.00)</u>	Minus the tax threshold
\$ 4,170.00	<i>Total value of fees to be taxed</i>
x 36.25%	Estimated Flat Tax Rate
\$ 1,511.63	Estimated Imputed Tax to be deducted from a Fall paycheck