



# UNIVERSITY OF MARYLAND

OFFICE OF THE COMPTROLLER  
PAYROLL SERVICES

1101-L Chesapeake Building  
College Park, Maryland 20742-3121  
301.405.5665 TEL 301.405.8685 FAX

October 10, 2014

## MEMORANDUM

TO: All USM Institutions

FROM: Kim Williams  
Accountant, UMCP Payroll Services

SUBJECT: Summer & Fall 2014 Retiree Tuition Remission Reporting  
**Due Monday, November 3, 2014**

Effective January 1<sup>st</sup> 2012, tuition remission benefits for retirees and their spouse and/or dependents are taxable. Retirees taking graduate level courses will be taxed on the tuition remission amount that exceeds the \$5,250 per calendar year limit. The **full amount** of graduate level tuition remission for spouses and/or dependents is taxable. Additionally, **undergraduate** tuition remission is fully taxable for those retirees who have spouses and/or dependents that are NOT considered federal tax dependents in the year the benefits are received. A taxability chart is located on the last page of this memo.

The procedures for the retiree process are located on pages three through five of this memo. Please include all retirees, **regardless of institution attended**, who received graduate level tuition remission (**including** retirees who have **not** reached the \$5,250 limit), retirees whose spouse and/or dependents received graduate level tuition remission, deceased employees/retirees whose spouse and/or dependents received graduate level tuition remission, and retirees (including deceased retirees) whose spouse and/or dependents received undergraduate tuition remission, but are not considered tax dependents.

Attached to the email containing this memo is an excel file with three separate spreadsheets for the various scenarios. **The spreadsheets need to be completed in their entirety.** A W-4 will need to be completed by all retirees. Deceased employees/retirees do not require a W-4. The spreadsheets and W-4s can be emailed to me at [kwillia4@umd.edu](mailto:kwillia4@umd.edu) or sent to me either via the courier service or regular mail at:

Payroll Services  
Attn: Kim Williams  
1101 L Chesapeake Bldg.  
College Park, MD 20742



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We recommend retirees be notified of the tax implications when they sign up for the benefit. Please explain that they will be billed by their home agency for the applicable taxes and that the agency reserves the right to turn over any unpaid tax bills to a collections agent.

Taxes will be charged as follows:

- Federal Income Tax - flat 25% rate, required by IRS regulations
- State and Local Income Tax - based on number of exemptions entered on W-4
- FICA Tax – current rate is 7.65%

I will need to have the completed spreadsheets and W-4s no later than **Monday, November 3, 2014**. I will compile the reports and provide a representative from your institution with a complete list of taxable retirees.

Please contact me at (301) 405-7480 or [kwillia4@umd.edu](mailto:kwillia4@umd.edu) if you have questions.

cc:

UMCES – Julie Kenney

UMES – Betty Fosque, Gertrude Hairston, Lisa Johnson

USMO – Bob Page



**Process for Tuition Remission for Retirees**

- Payroll Services will receive a spreadsheet from each home campus' Benefits Coordinator containing Retiree SSN, Retiree Name, Retiree Home Address, Retiree Home Phone Number, Retiree Department Phone Number, Retiree Home Agency Code, Campus Attending Agency Code, and Tuition Remission Amount. (See Attachment C)
- Payroll Services will receive a W-4 form from each home campus' Benefits Coordinator for Retiree.
- Payroll Services will review taxability and make corrections as required.
- Payroll Services will update master tuition remission spreadsheet.
- Payroll Services will send updated spreadsheet back to each home campus' Benefits Coordinator as required.
- Payroll Services will update spreadsheet with W-4 information, Home PCA, Home Financial Agency Number and Taxable Amounts. This will be sent to CPB to add to Retiree's earnings for reporting purposes.
- CPB will calculate the taxes due and bill the University via R-Stars for taxes withheld.
- Payroll Services will send updated spreadsheet back to each home campus' Benefits Coordinator including taxes withheld.
- Payroll Services will post transactions to department FRS account number.
- Each campus' Benefits Coordinator will need to get information to the appropriate people on their campus to bill the Retiree for any taxes withheld and pre-paid by the University.



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## **Process for Tuition Remission for Spouse/Dependent of a Living Retiree**

- Payroll Services will receive a spreadsheet from each home campus' Benefits Coordinator containing Retiree SSN, Retiree Name, Retiree Home Address, Retiree Home Phone Number, Retiree Department Phone Number, Retiree Home Agency Code, Student's Name, Student's SSN, Campus Attending Agency Code, Tuition Remission Amount, and Federal Tax Dependent (Y/N) Indicator (undergraduate only) for spouse/dependents enrolled in classes on their campus. (See Attachment D)
- Payroll Services will receive a W-4 form from each home campus' Benefits Coordinator for Retiree.
- Payroll Services will review taxability and make corrections as required.
- Payroll Services will update master tuition remission spreadsheet.
- Payroll Services will send updated spreadsheet back to each campus' Benefits Coordinator as required.
- Payroll Services will update spreadsheet with W-4 information, Home PCA, Home Financial Agency Number and Taxable Amounts. This will be sent to CPB to add to Retiree's earnings for reporting purposes.
- CPB will calculate the taxes due and bill the University via R-Stars for taxes withheld.
- Payroll Services will send updated spreadsheet back to each home Benefits Coordinator including taxes withheld.
- Payroll Services will post transactions to department FRS account number.
- Each campus' Benefits Coordinator will need to get the information to the appropriate people on their campus to bill the Retiree for any taxes withheld and pre-paid by the University.



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## **Process for Tuition Remission for Spouse/Dependent of Deceased Employee or Deceased Retiree**

- Payroll Services will receive a spreadsheet from each home campus' Benefits Coordinator containing Deceased SSN, Deceased Name, Date of Death, Deceased Home Agency Code, Student's Name, Student's SSN, Student's Home Address, Student's Home Phone Number, Campus Attending Agency Code, Tuition Remission Amount, and Federal Tax Dependent (Y/N) Indicator status (undergraduate only) for spouse/dependents enrolled in classes on their campus. (See Attachment E)
- No W-4 form is needed.
- Payroll Services will review taxability and make corrections as required.
- Payroll Services will update master tuition remission spreadsheet.
- Payroll Services will send updated spreadsheet back to each campus' Benefits Coordinator as required.
- Payroll Services will update spreadsheet with Home PCA and Home Financial Agency Number and send taxable amounts to CPB if date of death is in the current year for FICA/Medicare tax withholding from deceased records.
- No taxable amounts exist if date of death was prior to current year.
- CPB will calculate the taxes due and bill the University via R-Stars for taxes withheld.
- Payroll Services will send updated spreadsheet back to each home campus' Benefits Coordinator including taxes withheld for spouse/dependent of deceased employee/retiree.
- Payroll Services will post transactions to department FRS account number.
- Each campus' Benefits Coordinator will need to report the taxable tuition value to their Accounts Payable department to report on Form 1099-Misc, Box 3, Other Income.
- Each campus' Benefits Coordinator will need to get information to the appropriate people on their campus to bill the Spouse, Dependent, or Estate for any FICA/Medicare taxes withheld and pre-paid by the University.

**TAX CHART – A – USM TUITION REMISSION**

Eligibility for tuition benefits must be determined under USM-Board of Regents Policies VII-4.10 and VII-4.20. This chart provides a general overview of the taxability of various types of tuition remission. It does not constitute tax advice. Each employee or recipient of tuition remission is strongly encouraged to discuss all questions related to tax liability with his or her accountant or tax advisor.

Who is the Student?	Undergrad or Graduate?	<u>Taxable or Not Taxable</u> for federal income tax purposes	Special Notes
1. Employee/Retiree	Undergraduate (all courses)	Not Taxable	
2. Employee (does not include Retiree)	Graduate (work related)	Not Taxable (see note)	<b>Graduate:</b> MUST qualify as a working condition fringe benefit, not to meet minimum job qualifications or qualify for a new trade or business as defines in Affidavit-A, Section 3.
3. Employee/Retiree	Graduate (not work related)	First \$5,250 is Not-Taxable. <b>Any amount over \$5,250 is TAXABLE</b>	
4. Spouse, Widow/er, or Child of Employee/Retiree*	Graduate	<b>TAXABLE</b>	
5. Spouse or Widow/er	Undergraduate	Not Taxable	Federal law determines the federal tax treatment of tuition benefits for spouses.
6. <b>Federal tax dependent who is Employee's/Retiree's*:</b> • Spouse • Son/Daughter • Stepson/Stepdaughter • Legally Adopted Son/Daughter	Undergraduate	Not Taxable	Employee/Retiree ( <b>regardless of marital status</b> ) must claim the student as a dependent on the employee's federal tax return for the year in which tuition remission is granted.
7. <b>Employee's/ Retiree's*:</b> • Son/Daughter • Stepson/Stepdaughter • Legally Adopted Son/Daughter <b>If Employee/Retiree is divorced/separated from child's other parent who claims child as a tax dependent</b>	Undergraduate	Not Taxable	Divorced/separated spouse must claim the student as a dependent on his/her federal tax return for the year in which tuition remission is granted to the employee/retiree.
8. <b>Employee's/Retiree's*:</b> • Spouse, or • Son/Daughter; Stepson/Stepdaughter; or Legally Adopted Son/Daughter if student is NOT described in any of the preceding categories <b>Who is NOT A TAX DEPENDENT of Employee/Retiree for year benefits are received</b>	Either	<b>TAXABLE</b>	ALL tuition remission for a child of any age not claimed as the employee/retiree's tax dependent is taxable, except for a child of divorced or separated parents, (see row 7).

\* Includes a deceased employee or deceased retiree

**Note:** This chart and Tuition Remission Policies VII-4.10 and VII-4.20 **DO NOT** apply to Graduate Assistants.