

## Tax Implications for Graduate Assistantships and Scholarships

The chart below indicates which taxes will be withheld from a graduate assistants paycheck.

	Federal tax	FICA tax	Medicare tax	TN tax	Memphis City tax
<b>Graduate Assistant for Research (GAR)</b>	Yes	No (see note 1)	No (see note 1)	Yes	Yes
<b>Graduate Assistant for Teaching (GAT)</b>	Yes	No (see note 1)	No (see note 1)	Yes	Yes
<b>Graduate Assistant for Administrative/Office (hourly)</b>	Yes	Yes	Yes	Yes	Yes

**NOTE:**

**1. The stipend is exempt from FICA/Medicare tax while a student is “full-time.” The University of Memphis deems late-stage doctoral students who register for one credit hour of dissertation full-time as long as they are working on their dissertation at least half-time.**

**Graduate Students and Time Status Definitions by Term**

Graduate students who register for 9 or more hours for Spring and Fall in the academic year will be considered full-time students. Graduate students who register for 6 hours or more in the Summer will be considered full time. For financial aid and state reporting, full time status is 9 hours for Fall, Spring, and Summer for Graduate students. The table below shows the hour requirements for full time status by term and definition. See table below for more information on time status and usage.

	Financial Aid and State reporting - Full time Definition	University Definition of Full Time (Time status in Banner)
Fall  Masters Graduate Certificates Pre-Comps	9	9
Spring  Masters Graduate Certificates Pre-Comps	9	9
Summer  Masters Graduate Certificates Pre-Comps	9	6

### Late-Stage Doctoral Students and Time Status

Late-Stage doctoral students are students who have completed and passed their comprehensive exams. These students may enroll in a *minimum of one dissertation hour* and be considered full-time by the University of Memphis if they are working at least half-time on their dissertation.

Late-stage doctoral students will also continue to have access to all of the various other resources and benefits extended to full-time students (e.g. recreation center and health center).

	Are Late-Stage Doctoral Students considered "Full-time?"
IRS	YES
Federal Financial Aid	YES
University of Memphis	YES (and therefore they eligible for all the benefits and services extended to full-time students)

### Tax Implications for Tuition Benefits for Graduate Assistants

As a graduate assistant your department/unit may be paying all or some of your tuition. This is a tuition benefit. There are tax implications for tuition benefits depending on what type of graduate assistantship you have.

**Section 117(d)** of the Internal Revenue Code addresses the taxability of tuition benefits offered to graduate assistants.

### Graduate Assistants for Research (GARs) and Graduate Assistants for Teaching (GATs)

For those graduate assistants teaching or conducting research, tuition benefits are not taxable per Sec 117.

*For example:*

A graduate research assistant with a \$1,000 stipend and \$5,886 of tuition benefits, would have taxable gross earnings of \$1000, which may not trigger withholding.

### Graduate Assistants with Administrative/Office duties (GAOs)

Tuition benefits received by GAOs are taxable over \$5,250 in a calendar year per Sec 127. GAOs are those that are not involved with teaching or research. For those graduate assistants, any tuition benefits over \$5,250 are added to their pay as a taxable benefit at the end of the semester. This will increase tax liability and possibly federal withholding. The tuition benefit does not increase net pay. Graduate support assistants should be prepared for the increase in tax liability and the possible decrease in net pay from additional withholding at the end of each semester. The tax withholding may result in a zero-paycheck depending on the value of the tuition benefits, the stipend received, and the W4 withholding allowances.

*For example:*

A GAO with \$1,000 stipend may not trigger federal tax withholding. Taking three classes in the Spring semester may result in \$5,886 of tuition benefits. In April, total taxable earnings would equal the \$1,000 stipend plus \$636 in tuition benefits (5,886 -5,250 exclusion). This may continue to not trigger any federal tax withholding. The graduate support assistant may still get the full \$1000 of pay in April.

The next semester, having taken another three classes in the Fall, the \$5,886 in tuition benefits would be fully taxable. The tuition allowance, along with the \$1,000 stipend, would equal \$6,886 in taxable earnings. The \$6886 may result in \$920 in federal tax withholding, depending upon their W4 withholding allowances. The resulting pay in October would be \$80 (\$1000-\$920=\$80).

Situations may differ depending on the number of classes taken and withholding allowances, but students should keep in mind the possible tax implications.

### **Tax Information for Scholarships**

According to the IRS <https://www.irs.gov/taxtopics/tc421>

Scholarships are not taxable if they are used to pay for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.

However, if the scholarship is used for other purposes or if the student receives a refund from a scholarship, the amount is taxable and will be included in gross income.

For instance,

- Amounts used for incidental expenses, such as room and board, travel, and optional equipment.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant.

The rate of taxation depends on the student's residency classification. Please contact payroll for more information.