**Tuition Benefit for Employees**

**General Tax Information**

* Indiana University offers a tuition benefit to eligible employees in the form of a tuition reduction for courses taken. This benefit is established under the IRC Section 117 regulations and does not provide preferential tax treatment of the IU tuition benefit for graduate-level courses. Under Section 117, tuition benefit provided for graduate-level courses is considered taxable income to the recipient.
* **Beginning in 2017**, Indiana University will also offer a benefit for tuition under IRC Section 127. This allows for a certain amount of tuition benefit (graduate or undergraduate) to be considered exempt from taxation based on the annual limit set forth by the IRS. Currently, the amount is $5,250.

**Tax Processing**

* University Tax Services processes the taxable tuition benefit for employees and adds the amounts to the employee's paycheck(s) to collect the additional taxes. Please see the [University Human Resources Tuition Benefit page](http://www.indiana.edu/~uhrs/benefits/tuition.html) for a current listing of the tuition benefit rates.
* To determine what amount will be taxable, find the correct program, multiply by the semesters for the year and then subtract the $5,250 for the Section 127 benefit. This will provide an estimate of the amount of taxable income that will be added to paychecks throughout the year. An email is sent to each employee by University Tax Services to notify employee of the additional taxable income. This addition of income will reduce the employee’s net paycheck through the additional taxes for the tuition benefit.
* For more information regarding the benefit provided, please visit the [University Human Resources Tuition Benefit page](http://www.indiana.edu/~uhrs/benefits/tuition.html). For more questions regarding the taxation of the tuition benefit, please contact University Tax Services through the [contact page](https://controller.iu.edu/contact).