



QUESTIONS AND ANSWERS REGARDING TAP PROCESS CHANGE

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Can employees take undergraduate credit courses if they have a degree?

What TAP benefits are taxable?

TAP benefits for courses that meet **all three** criteria below will be treated as taxable income:

- Taken for **graduate credit** (courses taken for undergraduate credit or for no credit are not taxable); and
- **Not related to your current job duties**; and
- The total tuition benefit used for such courses during the calendar year **exceeds \$5,250 (only amounts over \$5,250 are taxable)**.

How will this affect me in calendar year 2019?

- **If you already took graduate-credit courses in the January, spring, or summer terms, you have no action to take and will bear no additional out of pocket cost.** For these terms in 2019, Harvard will review course information and will make a presumptive determination as to job-relatedness.
 - For graduate credit courses that are deemed to be non-job-related, Harvard will pay the tax due on your behalf and you will have no additional tax cost for that period.
 - Harvard will notify employees of any courses determined to be non-job-related; those employees will have the opportunity to appeal the determination if they feel it is incorrect.
- **Beginning with fall 2019 courses, Harvard will begin to withhold taxes on courses that meet the three criteria listed above.** Employees will be given the opportunity during the

registration process, via a new graduate-credit TAP form, to identify if their particular course(s) is job related (and thus not subject to tax). For taxable courses, Harvard has established a Transitional TAP Fund (TTF) to help employees pay their tax obligations during a transitional period; see below for more information on TTF.

What is the standard for job-relatedness?

- According to the IRS, job-relatedness means that the course is being taken to maintain or improve skills needed in the employee's current job, or is required by Harvard or by law as a condition of their current job.
- A course is **not** considered job-related if it is being taken to meet the minimum educational requirements of the employee's current job or is part of a program of study that will qualify the employee for a new trade or business.

For more information, please see [IRS Pub. 970](#) (Ch. 11-12) or [Pub. 15-B](#) (Ch. 2).

How do employees designate courses as job related?

Beginning with Fall 2019 courses, employees will have the opportunity to designate graduate-credit courses as job-related at the time of registration by completing the job-related attestation section of the graduate-credit TAP form where they can indicate the job-related skills that will be learned in the course and having the form signed by their supervisor/manager (this form may be subject to internal audit). The process for completing the form varies based on where the course is taken, as follows:

For Extension school (DCE courses)

1. Register for course online through DCE
2. Complete a graduate credit TAP form by going to the Harvard Tuition Portal (benstrat.com/Harvard)
3. Submit signed TAP form to Benefit Strategies by the stated deadline. For the fall 2019 semester, forms must be received by BSL no later than 9/11/2019.

For other participating Harvard schools:

1. Go to the Tuition Portal benstrat.com/harvard
2. Follow the instructions to complete the graduate credit course TAP form.
3. Submit the form to the Registrar's office of the school at the time of registration. Refer to the TAP/TRP Booklet for registration information by school.

Important: In cases where TAP forms for graduate-credit courses are received after the deadline, courses will be designated as non-job-related and may be subject to tax.

What are some examples of jobs and courses that either are or aren't related?

Example 1 – Employee A is a research assistant. The work is dynamic and Harvard encourages them to keep abreast of new developments. They sign up for a graduate credit course on new research concepts in their profession. Their supervisor can identify where this coursework will improve their research skills in their *current job*. The course qualifies as job-related.

Example 2 – Employee B works as an accounting assistant. They have decided to pursue a computer science graduate degree. Because the course of study is one that will lead to a new trade or business, any courses they take toward that degree must be treated as non-job-related.

How do employees calculate tuition benefits?

Tuition benefits for this purpose equal the total tuition cost minus any TAP fee paid by the employee. For example, if a course’s tuition is \$3,750 and the employee pays a 10% tap fee (\$375), the tuition benefit equals \$3,375. The tuition benefit is counted in the calendar year that the course is held, not in the calendar year that the employee registered or paid for the course.

Note that for DCE courses, the amount paid by employees (\$40) is considered a registration fee rather than tuition and, therefore, is not deducted from the tuition cost when calculating the tuition benefit.

If an employee’s TAP benefit exceeds the \$5,250 limit, how much tax will be withheld?

As required by the IRS, taxes will be withheld at the supplemental income tax rate of 34.7% [combined federal, state and FICA tax] that must be used for non-salary payments. For example, if an employee has tuition benefits of \$7,000 for graduate-credit, non-job-related courses, withheld taxes are calculated as follows:

$$\begin{array}{r} \$7,000 \text{ (Tuition benefit)} \\ - \underline{\$5,250} \text{ (tax free limit)} \\ \$1,750 \text{ (taxable amount)} \\ \times \underline{.347} \text{ (IRS required supplemental income withholding rate)} \\ \hline \$607.25 \text{ (amount of taxes Harvard will withhold from pay)} \end{array}$$

Withholdings will be taken over the following Payroll schedule:

- Weekly: 12 pay periods
- Biweekly: 6 pay periods
- Monthly: 3 pay periods

Note that employees may opt to pay the full amount of the owed taxes to Harvard Payroll by check in lieu of withholding. Employees wishing to do this should contact Central Payroll directly at (617) 495-8500 option 4 or via email at ufs_crt@harvard.edu by September 20, 2019 and provide a check by October 1, 2019 for fall 2019 courses.

Are there ways for employees to plan ahead and reduce the tax impact?

Possibly, depending on the employee's circumstances. In particular:

- Employees who are not intending to apply the course toward a graduate degree, but are taking courses for other reasons (e.g., personal enrichment), are encouraged to register for undergraduate credit or noncredit (audit) where available. You can take a course for undergraduate credit even if you have already completed a bachelor's degree (provided this option is available for the particular course).
- For graduate-credit courses, employees should consider whether the course is job-related and if so, designate the course as such when completing the TAP form.
- For courses that are for graduate credit and are not job-related, employees should consider whether the courses can be distributed among more than one calendar year, in a manner that takes maximum advantage of the \$5,250 annual tax-free limit.
- Employees can apply for assistance from the Transitional TAP Fund, if eligible.

How does the Transitional TAP Fund (TTF) work?

Harvard is establishing a Transitional TAP Fund (TTF) to provide **temporary assistance** to employees in meeting their tax obligations associated with the new TAP procedure.

Duration of Assistance. The TTF can provide assistance for courses taken from the fall 2019 semester through the spring (including January session) 2021 semester. Per IRS guidelines, payments through the TTF are considered taxable, and will be taxed at the 34.7% supplemental income tax rate.

Level of Assistance. The level of assistance provided by the TTF depends on whether the employee was **enrolled in a graduate degree program prior to July 1, 2019.**

- Employees who **were** enrolled in a degree program at a participating Harvard school as of that date will be eligible to apply for full reimbursement of their tax costs through the spring 2021 semester. This reimbursement is itself taxable, but Harvard will pay all taxes due ("gross up") on the amount reimbursed on the employee's behalf.
- Employees who were **not** enrolled in a degree program at a participating Harvard school as of that date will be eligible to apply for partial reimbursement of their tax costs during the same period:
 - 100% for fall 2019
 - 80% for spring 2020
 - 60% for summer and fall 2020
 - 40% for spring 2021

This reimbursement is itself taxable and subject to withholding (Harvard will not pay the taxes due on the reimbursement).

Application Requirements. To receive assistance from the TTF for fall 2019 through spring 2021, employees must submit a TTF application and must complete the job-relatedness form at registration. (Please check back for more information including application.)

Submission deadlines:

- Fall 2019 semester – October 4, 2019; please note - to avoid any additional tax withholding, you must submit your TTF form no later than September 15, 2019
- Spring 2020 semester (includes January session) – March 15, 2020
- Summer 2020 semester – July 15, 2020
- Fall 2020 semester – October 1, 2020
- Spring 2021 (includes January session) – March 15, 2021

Assistance payment timing:

The payment will be included in your paycheck within a few weeks of approval.

The Transitional TAP Fund (TTF) is summarized in the following chart:

	Year 1	Year 1	Year 2	Year 3
DEGREE STATUS	Jan/Spring/Summer 2019	Fall 2019	All semesters 2020	Jan/Spring 2021
DEGREE STUDENTS Students enrolled in degree programs prior to July 1, 2019	<ul style="list-style-type: none"> • No action required on employee's part • Harvard will automatically pay full amount of tax plus gross up on employee's behalf on courses not related to job • Harvard will make determinations of job-relatedness based on available information 	<ul style="list-style-type: none"> • Eligible to apply to TAP Transition Fund for reimbursement of full amount of tax plus gross up for courses unrelated to job • Must complete job-relatedness forms to be eligible for reimbursement 		
NONDEGREE STUDENTS Students not enrolled in degree programs prior to July 1, 2019		<ul style="list-style-type: none"> • Eligible to apply to TAP Transition Fund for a partial reimbursement of tax for courses unrelated to job (<u>taxable payment of 100% for fall 2019, 80% for spring 2020, 60% for summer and fall 2020 and 40% for spring 2021</u>) • Must complete job-relatedness forms to be eligible for reimbursement 		

Does the new process impact employees taking courses outside Harvard using the Tuition Reimbursement Program (TRP)?

Beginning with fall 2019 courses, the TRP reimbursement forms will include a job-relatedness section that all employees taking TRP courses for graduate-credit will be required to complete. Employees will need to indicate the job-related skills that will be learned and have it signed by their supervisor/manager.

For employees who are **not** members of HUCTW, Harvard's existing policy is unchanged: TRP benefits may only be used for courses outside Harvard that meet the IRS standard of job-relatedness (and thus not taxable).

For HUCTW employees, the collective bargaining agreement allows members to take courses outside Harvard using TRP regardless of job-relatedness. TAP benefits and TRP benefits are counted together toward a single, annual tax-free limit of \$5,250. Therefore, to the extent that the \$5,250 limit is exceeded for courses that are for graduate credit and not job-related, tuition benefit amounts for both TAP and TRP courses will be combined.

Can employees take undergraduate credit courses if they have a degree?

Yes, if a course is available for undergraduate credit employees may choose that option even if they have already completed a bachelor's (or other) degree. Many courses at DCE are offered for both graduate and undergraduate credit.