



QUESTIONS AND ANSWERS REGARDING TAXABLE TUITION BENEFITS

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

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

You can learn more and review examples in the [TAP Job-Relatedness Guidance for Managers and Supervisors](#). For more information, please see [IRS Pub. 970](#) (Ch. 11-12) or [Pub. 15-B](#) (Ch. 2).

How do I designate courses as job related?

You 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 you can indicate the [job-related education](#) that will be provided in the course, and having the form [approved by you manager/supervisor](#). This form may be subject to internal audit. The process for completing the form varies based on the Harvard school at which the course is taken. Please refer to the [TAP/TRP Enrollment Process for Participants](#) on HARVie.

Important: In cases where TAP forms for graduate-credit courses are not submitted, or are submitted 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 course work 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. You can learn more and review examples in the [TAP Job-Relatedness Guidance for Managers and Supervisors](#).

How can I calculate my 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 Division of Continuing Educations (DCE) courses, the amount paid by employees (\$40 or \$80) is considered a registration fee rather than tuition and, therefore, is not deducted from the tuition cost when calculating the tuition benefit.

If my TAP benefit exceeds the \$5,250 calendar-year limit, how much tax will be withheld?

As required by the IRS, taxes will be withheld at the supplemental income tax rate that must be used for non-salary payments (34.65% for 2021, combined federal, state and FICA tax). For example, if an employee has tuition benefits of \$7,000 for graduate-credit, non-job-related courses, withheld taxes are calculated as follows:

\$7,000	(Tuition benefit)
- \$5,250	(tax free limit)
\$1,750	(taxable amount)
x .3465	(IRS required supplemental income withholding rate)
\$606.38	(amount of taxes Harvard will withhold from pay)

Withholdings will be spread out over several paychecks based on your payroll schedule:

- Weekly - over 12 paychecks
- Biweekly - over 6 paychecks
- Monthly - over 3 paychecks

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

Possibly, depending on your circumstances. In particular:

- If you are not intending to apply the course toward a graduate degree, but taking courses for other reasons (e.g., personal enrichment), you 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, you 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, you 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.

Does this impact my taking courses outside Harvard using the Tuition Reimbursement Program (TRP)?

The TRP reimbursement forms include a job-relatedness section that all participants taking TRP courses for graduate-credit will be required to complete. You will need to indicate the job-related education that will be learned and [your manager/supervisor will need to submit approval](#).

If you are **not** a member of HUCTION, 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 are not taxable.

If you are covered under HUCTION, the collective bargaining agreement allows you 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 I take undergraduate credit courses if I already have a degree?

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

Why are taxes being withheld from my paycheck for graduate-credit courses that I dropped?

If you drop the course after the 100% refund period or withdraw from the course after the add/drop period, the University is still paying some or all of the tuition on your behalf, and therefore, you are still in receipt of the tuition benefit. The benefit amount above the \$5,250 tax-free limit is considered taxable income and will be included in your earnings with applicable taxes withheld.

Why did I receive a Form 1098-T when I didn't take any graduate-credit courses or the graduate-credit were job-related? Do I need to pay taxes on the amount listed on the form?

A Form 1098-T is issued by the School when you take courses (of any credit level) and is not used to report taxable income to the IRS. It provides information about educational expenses that may qualify you for education-related tax credits. The form includes any scholarships and grants paid to you, as well as any tuition reduction amount. The dollar amounts on the Form may assist you in completing IRS Form 8863.

Taxable tuition benefits are included in your earnings and taxes withheld during the calendar year in which you receive the benefit. This information is included on your Form W-2 for that year.

For more information about the Form 1098-T, you can visit the [IRS website](#). If you have questions or concerns about your individual tax situation, please consult with a personal tax advisor.