



CHAPMAN UNIVERSITY

Tuition Discount Tax Implications

Undergraduate courses taken by a qualified employee and/or a qualified dependent spouse or children are considered a tuition reduction under Section 117 of the Internal Revenue Code, and are tax-free.

Under Section 127 of the Internal Revenue Code, employees with approved tuition discounts for graduate courses may exclude from gross income the first \$5,250 of educational assistance received in the calendar year. When the employee exceeds \$5,250 in graduate courses for the calendar year, the taxability will be assessed as outlined in IRS Publication 508. Graduate courses taken by a qualified dependent spouse and children will be taxed.

To apply for tuition benefits, employees must submit the “Application for Tuition Discount” along with the “Employee Graduate Program Questionnaire” and/or the “Certification of Dependent Eligibility”, as appropriate, to Human Resources prior to the start of the semester or term in which the classes are taken.

Questions regarding tuition benefits and taxability determinations should be directed to:

benefits@chapman.edu

Questions regarding payroll processing of tuition related taxes should be directed to:

payroll@chapman.edu