



Employee Benefits
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Lexington, KY 40506-0064
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www.uky.edu/HR/benefits

September 27, 2010

Dear Employee Education Program (EEP) Participant,

Through your efforts and participation in the Employee Education Program at the University of Kentucky, you have realized an advanced degree is within reach. This notice is to advise you of possible future tax implications associated with the professional or graduate-level tuition waiver through EEP. According to Internal Revenue Service (IRS) guidelines, any *graduate or professional-level* tuition waiver amounts *in excess of* \$5,250 per calendar year are considered “taxable benefits” and thus subject to federal, state and local taxes. Employees whose educational benefit exceeds that level will see that portion *above* \$5,250 listed on their paystubs as imputed income, with applicable taxes automatically deducted.

Depending on tuition rates and the number of credit hours you have taken in 2010, a portion of your total EEP benefit for graduate-level coursework may be considered a taxable benefit and taxed accordingly. If your benefit exceeds \$5,250 during the course of the 2010 calendar year, your payroll check stub will automatically reflect this as imputed income once that benefit level has been exceeded (applicable tax deductions would also be taken). The actual rate of taxation is dependent on many variables including the following: gross income, filing status, number of exemptions claimed, tax-sheltering of funds, etc.

The total amount in excess of the maximum of \$5250.00 for the calendar year at this time is:

\$-----

The University is proceeding with preparations for deducting these taxes for the 2010 calendar year as follows:

Courses Taken During	Taxes Will Be Deducted From These Paydates For Employees On <u>Monthly</u> Payroll	Taxes Will Be Deducted From These Paydates For Employees On <u>Bi-Weekly</u> Payroll
Calendar Year 2010	October 29, 2010 (50%) November 30, 2010 (50%)	October 15, 2010 (25%) October 29, 2010 (25%) November 12, 2010 (25%) November 24, 2010 (25%)

Please be aware that taxation for graduate education is based on amounts in excess of \$5250.00 per **calendar year**.

If you have questions concerning the IRS imputed income limit or the Employee Education Program, feel free to contact the Employee Education Program Administrator at (859) 257-8772 or a Customer Service Representative at (859) 257-9519 option 3.

Sincerely,

Gail Carbol
Manager, Employee Benefits