



Employee Benefits
112 Scovell Hall
Lexington, KY 40506-0064
859 257-9519, option 3
Fax: (859) 323-1095

www.uky.edu/HR/benefits

September 9, 2009

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. Because of your recent participation in a professional or graduate-level program, this notice is to advise you of possible future tax implications associated with the graduate 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 EEP benefit exceeds that level would see that portion *above* \$5,250 listed on their paystubs as imputed income, with applicable taxes automatically deducted.

Currently, these guidelines affect very few employees using EEP benefits to take graduate-level classes. For example, at current (2009-10) graduate-level tuition rates (\$459 per credit hour), the Employee Education Program benefit would exceed the annual tax-free level only if 12 credit hours or more were taken over the course of the calendar year calculated at a resident rate. Non-resident students could easily surpass that limit in a single semester, based on taking 6 credit hours.

Depending on tuition rates and the number of credit hours you take in 2009, 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 2009 calendar year, your payroll check stub will automatically reflect this 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 University is proceeding with preparations for deducting these taxes for the Fall 2009 semester as follows:

Courses Taken During	Taxes Will Be Deducted From These Paydates For Employees On Monthly Payroll	Taxes Will Be Deducted From These Paydates For Employees On Bi-Weekly Payroll
Fall 2009	October 30, 2009 (50%) November 30, 2009 (50%)	October 02, 2009 (25%) October 16, 2009 (25%) October 30, 2009 (25%) November 13, 2009 (25%)

**pending forms are submitted by the posted deadline dates*

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