

Subject: Tax Status for Dependent Tuition Waivers

Tax Status for Dependent Tuition Waivers

Canada Revenue Agency recently announced a revised policy for employer provided tuition and scholarships to employee's dependents.

Effective for the 2007 and later tax years, if a post-secondary education institution provides free tuition to an employee's family members, the benefit is not taxable to the employee. Instead, the tuition amount is included as a scholarship on a T4A slip for the family member.

Additional information can be obtained from the CRA:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/dctn/ttn-eng.html>

CRA has advised employers to **amend the T4 slips** for any employees who were taxed for dependent tuition waivers in **2007** and **2008** only. The value of the tuition amount will be removed from the employee's T4 and will be reported on a **T4A slip issued to the dependent student**.

THE FOLLOWING AIMS TO ADDRESS QUESTIONS THE COMMUNITY MAY HAVE ABOUT THIS CHANGE IN CRA POLICY:

When will the University be reissuing the amended 2007 and 2008 T4s and T4As?

The University will reissue T4s for employees and T4As for their dependents by the end of November, 2009.

How will the amended T4 impact the employee's taxes?

In most cases, the removal of the taxable benefit associated with the tuition will result in a reduction in the tax liability of the employee. However, the determination of taxes owing will be based on each individual's tax situation and it will be important that employees review their tax situation with an advisor.

The amount of the refund will depend on the marginal tax rate of the employee. For illustrative purposes only, an employee **might** expect the following refund.

Assumption:

Tuition Taxable Benefit of \$5000 removed from the tax return of employee for 2008:

Taxable Income after removal of Taxable Benefit	Marginal Tax Rate	Approximate Expected Tax Liability Reduction
Over \$37,885 up to \$63,428	31.15%	\$1,557
Over \$63,428 up to \$72,041	32.98%	\$1,648

Do Employees have to re-file returns for 2007 and/or 2008 to claim the refund?

The CRA has advised the University that once employees receive their revised T4 slip they should submit the revised copy of the amended slip to their Tax Services Office accompanied by a letter explaining that the T4 has been amended by York University and asking that the tax appropriate return(s) be amended. Alternatively, a T1 adjustment request can be filed.

If the employee does not submit a letter or a T1 Adjustment request, then it is unlikely that the employee's tax return will be adjusted by CRA.

How will the T4A impact the Dependent's taxes?

In most cases, students will not be subject to additional tax assuming they are eligible to claim the education exemption amount.

"Post-secondary school scholarships, fellowships, or bursaries are not taxable if you received them for your enrolment in a program that entitles you to claim the education amount in 2007, or 2008 "

Source: http://www.cra-arc.gc.ca/E/pub/tg/5000-g/5000-g-02-08e.html#P726_85923

However, the determination of taxes will be based on each individual situation and it will be important that dependents/students review their tax status with an advisor.

Additional information:

For Employee-T4 questions, contact, Brenda Cogswell, Records & Enquiries Coordinator,
Payroll Department, Human Resources

For Student-T4A questions, contact, Mara Farina, Manager, Student Accounts

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