

FAQs Relevant to the Proposed Elimination of 117(d) for University of California Graduate Students

What is the proposed change that will directly impact graduate students?

The Tax Cuts and Jobs Act (H.R. 1), proposed by the U.S. House of representatives on November 2nd, is a large and complex bill. It includes elimination of Internal Revenue Code Section 117(d), which currently allows students to deduct from their taxable income the payment (or "remission") of mandatory student fees and tuition that they earn as a benefit of employment at a university. Elimination of this provision would mean tuition and fee remission would qualify as taxable income.

Why do graduate students receive tuition remission?

Unlike undergraduate students, many graduate students have their tuition and mandatory student fees paid through financial aid. One common type of graduate student aid is employment as a Teaching Assistant, Teaching Associate, or Graduate Student Researcher. When students are employed in these titles, they receive payment of their tuition as fees as a benefit of employment. This is referred to as tuition "remission." These funds are paid directly to student accounts in the exact amount of the tuition and fee assessment; students never have access to or discretion over these funds.

How much are tuition and fees for UC graduate students?

For most graduate students at UC, the mandatory tuition and fees for California resident graduate students is \$4,523.10 per academic quarter in 2017-18. Non-resident students are additionally assessed Non-Resident Supplemental Tuition of \$5,034 per quarter. The annual cost is thus \$13,569.30 for California residents, and \$28,671.30 for non-residents.

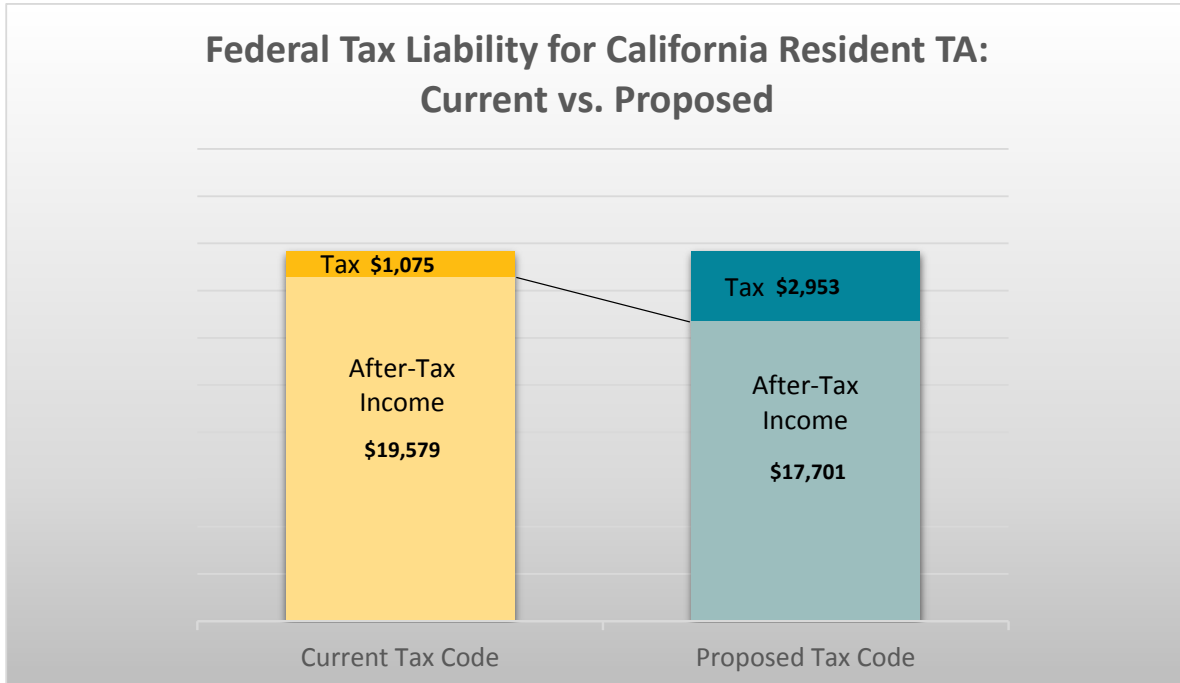
How many students at UC Santa Barbara receive tuition remission as a benefit of employment?

Students at UC Santa Barbara earned a total of 5,268 one-quarter remission packages in 2016-17. These were paid on behalf of more than 1800 individual students. In addition, the campus paid 1,055 Non-Resident Supplemental Tuition packages as a benefit of employment on behalf of at least 350 students (these payments are primarily provided by research grants).

How much will this impact the tax liability of students?

The answer to this question will vary depending on the individual financial circumstances of the student. Some examples are given on the back of this document. It is good to keep in mind that most graduate students are very low income, as they cannot work more than 50% time and are financially independent of their parents. For example, a UC student who serves as a typical teaching assistant will earn a salary of \$20,654 over the three quarters of the academic year. Graduate Student Researchers may earn more or less than this, depending on their circumstances.

The yellow graph below shows tax liability for a typical California resident TA who works for three quarters. As tuition remission is untaxed, the student would have \$1,075 deducted in taxes. The blue graph shows the liability if tuition remission is taxed: the student would have \$2,953 deducted in taxes, reducing the take-home pay to \$17,701.



The graph below shows the same figures for an international student working as a Graduate Student Researcher, whose tuition remission includes Non-Resident Supplement of about \$15,000 per year. The tax liability would change more precipitously, from \$1,398 to \$5,138, reducing the student's take home pay by more than \$4,000.

