At the GSA meeting of October 15, 2012, the GSA tax/tuition committee was formed to evaluate the tuition/stipend options as they relate to student taxes. The committee found the following:

- Two tax categories exist: *resident for tax purposes* (U.S. citizens and legal aliens that have passed the substantial presence test, i.e. present for 5 years in the U.S.), and *non resident for tax purposes* (legal aliens that have **not** passed the substantial presence test, i.e. present for **less** 5 years in the U.S.)
- Non residents for tax purposes are **not** eligible for any of the tax deductions or credits pertaining to tuition [1]. However, there are special cases, e.g. married couples where one of the spouses is a U.S. citizen.
- According to the Internal Revenue Code §127 (Educational Assistance Program) which has been extended indefinitely in January 2013 [2]; In the case of residents for tax purposes. This program allows for tuition waivers and free exemption to be excludable from taxable income up to a maximum of $5,250 per calendar year in the of graduate assistants (RAs and TAs). This was confirmed with Mr Alex Thyssen, the Director of Internal Audit Treasurer Research Foundation, who himself tried to initiate the instituting of the tuition waiver at New Mexico Tech in previous years.

The committee concludes that:
- Instituting the tuition waiver would not impact non residents for tax purposes economically. However, students need to coordinate with payroll to ensure enough taxes are deducted from paychecks.
- Residents for tax purposes will pay more total taxes if a tuition waiver is instituted, because tuition tax credits are more beneficial than tuition waiver exclusions. However, they might have other financial advantages, such as potential eligibility for low-income status, etc.

Submitted by the GSA Tax/Tuition Committee
April 9, 2013

References