

# TAXATION OF THE STARBUCKS TUITION BENEFIT

The Starbucks College Achievement Plan (SCAP) is a Qualified Education plan under Internal Revenue Code section 127. This means that the amount that Starbucks covers for your tuition and fees, up to \$5,250 per calendar year, is tax free for federal income tax. If the annual tuition coverage exceeds \$5,250, the excess amount is reported as taxable income and applicable federal taxes are required to be paid by the partner.

## Frequently Asked Questions

### If I'm taxed, when will it impact my paycheck?

The amount of Starbucks Tuition Benefit you receive towards tuition and fees at ASU is recorded in your paycheck approximately 2 months after the end of each ASU semester. Starbucks Tuition Benefit below \$5,250 in a calendar year will show as "PreEDU" on your pay statement and Starbucks Tuition Benefit above \$5,250 in a calendar year will show as "PostEDU" on your pay statement.

### The Starbucks Tuition Benefit is recorded in paychecks:

- Fall semester: February
- Spring semester: July
- Summer semester: October

### Are there other options to pay taxes?

No. Starbucks is required to withhold applicable taxes at the time the Starbucks Tuition Benefit is recorded in paychecks. There are no other payment options available. Therefore, it is important to track your Starbucks Tuition Benefit carefully and understand your total coverage for each semester as well as the calendar year total.

For partners who exceed the \$5,250 federal limit, only one paycheck will be impacted for each applicable semester you are taxed. Remaining federal taxes will be the responsibility of the partner to pay at the time of filing yearly taxes and will be reported on your W-2.

### How many classes can I take before reaching the \$5,250 pre-tax limit?

The number of classes you can take before reaching \$5,250 is specific to your individual education journey. You will need to consider the tuition and fees associated with your major as well as the amount of aid you receive in scholarships and grants each calendar year. You can look at your My ASU Finances tab to see how much is covered each semester by the Starbucks Tuition Benefit. This will help you plan and adjust your course load as needed.

### How do I track my Starbucks Tuition Benefit for the semester?

As long as you are enrolled in courses, your estimated Starbucks Tuition Benefit will be posted on your My ASU account under Finances > Financial Aid and Scholarships. Look for the line item titled "Starbucks Tuition Benefit"

- If the semester has already begun, you will see "Applied to Account"
- If the semester has not yet started, you will see "Pending Disbursement"

At the beginning of each semester (or session), your My ASU account will reflect the actual amount paid by Starbucks under Finances > Payments. Look for the last payment titled "Starbucks Tuition Benefit".

### How do I keep track of the total Starbucks Tuition Benefit I have received in a calendar year?

You can track the total Starbucks Tuition Benefit paid to date for the calendar year on your My ASU account under Finances > 'Tuition profile' box.

- The 'Starbucks Tuition Benefit' drop-down reflects your Starbucks Tuition Benefit paid through the current semester after financial aid has been disbursed.
- Note that the Starbucks Tuition Benefit will not be reflected in the 'Amount paid to date' on the Tuition profile box until it shows as "Applied to Account" in Financial Aid and Scholarships.



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## How much tax will I owe? (including Taxation Examples)

### How is the Starbucks Tuition Benefit recorded on my paycheck?

PreEDU: This line item notes the amount of a partner's tuition coverage for the calendar year that is \$5,250 or less. Tuition coverage up to this \$5,250 threshold is **not taxed**.

PostEDU: This line item notes a partner's tuition coverage exceeding the \$5,250 threshold for the calendar year. This is considered imputed income and **is subject to tax** under Internal Revenue Code section 127.

StateEDU: Currently Alabama, Indiana, New Jersey, and Pennsylvania have not adopted the federal treatment. If you work in one of these states, the full Starbucks Tuition Benefit is taxable for state income purposes and may be subject to applicable state tax withholding.

### How can I plan for a tax impact?

Partners should track their Starbucks Tuition Benefit on My ASU and calculate when they will be approaching \$5,250 for the calendar year. Use the examples below to calculate the expected tax impact (if any) and plan accordingly.

One suggestion is to put money aside with each paycheck leading up to the end of the semester. The ASU financial aid team is available for assistance on loan options, if eligible.

### How does this impact Pathway to Admission students?

Pathway to Admission credit conversion **is subject to tax** under Internal Revenue Code section 127.

Note: Pathway to Admission credit conversion coverage is not included on the My ASU Finances tab. Please refer to the Pre/Post/StateEDU line items on your paycheck to track your Pathway to Admission coverage for the year.

### Is there any other information I should know?

These examples are based on standard rates for federal income tax withholding, Social Security Tax, and Medicare Tax and certain assumptions about the Eligible Partner's income. The Starbucks Tuition Benefit payment received by an Eligible Partner may vary from these examples. State taxes may apply depending on the Eligible Partner's state of residence.

### Calendar Year Taxation Example

Fall Semester	Spring Semester	Summer Semester
<b>Fall Starbucks Tuition Benefit \$3,250.00</b>  The partner's Starbucks Tuition Benefit for Fall semester was less than \$5,250, therefore no taxes are applied.  The February paycheck will reflect: <b>PreEDU: \$3,250.00</b>  If you reside in Alabama, Indiana, New Jersey, or Pennsylvania, your paycheck will reflect StateEDU (not PreEDU) and will be applicable to state taxes.  Fall is the first semester recorded for the calendar year because it is recorded in paychecks in February. Summer is the final semester recorded for the calendar year because it is recorded in paychecks in October.	<b>Fall Starbucks Tuition Benefit \$3,250.00</b> <b>Spring Starbucks Tuition Benefit \$3,000.00</b>  The combined amount of Fall + Spring Starbucks Tuition Benefit was \$6,250, which is \$1,000 over \$5,250.  The July paycheck will reflect: <b>PreEDU: \$5,250.00</b> <b>PostEDU: \$1,000.00</b>  Amount subject to taxes: <u>\$1,000.00</u>  \$220 - Federal Income Tax (22%)* \$62 - Social Security Tax (6.2%) \$14.50 - Medicare Tax (1.45%) \$50 - State and/or Local Income Tax (variable - 5% for this estimate)  Total estimated taxes = \$346.50	<b>Fall Starbucks Tuition Benefit \$3,250.00</b> <b>Spring Starbucks Tuition Benefit \$3,000.00</b> <b>Summer Starbucks Tuition Benefit \$1,250.00</b>  The partner went over \$5,250 with the combined Fall + Spring Starbucks Tuition Benefit, therefore the entire amount of the Summer Starbucks Tuition Benefit is subject to taxes.  The October paycheck will reflect: <b>PostEDU: \$1,250.00</b>  Amount subject to taxes: <u>\$1,250.00</u>  \$275 - Federal Income Tax (22%)* \$77.50 - Social Security Tax (6.2%) \$18.13 - Medicare Tax (1.45%) \$62.50 - State and/or Local Income Tax (variable - 5% for this estimate)  Total estimated taxes = \$433.13

\*Per the IRS, the Starbucks Tuition Benefit is considered supplemental income and is required to be taxed at 22% as an addition to regular earnings. Taxation of the Starbucks Tuition Benefit is not treated as a garnishment, but as imputed income, which is subject to federal and state taxation. **If the tax cost exceeds your net paycheck amount, you may receive a zero-dollar paycheck.**



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