



Office of the State Comptroller
PAYROLL BULLETIN

Subject	Date	Bulletin No.
Reporting of Taxable Education Assistance Payments Made in 1995	11/1/95	P870/A379

INTRODUCTION

This bulletin supersedes Bulletin A348/P835 and contains instructions for determining and reporting the taxable portion of employer-paid educational assistance for 1995. It also contains important update information regarding the 1995 expiration of the \$5,250 exclusion of non-job-related educational assistance, previously explained in Bulletin A-353.

The following sections will help in determining which payments made in 1995 for educational assistance are taxable, and therefore must be reported to the Payroll System. The rules presented in these sections apply whether payments are made to the employee or to an educational institution on behalf of the employee.

**Non-Taxable
Payments**

**Education Assistance Payments Made in 1995
that are not taxable include the following:**

1. Payments for job-related courses at any level will remain tax free as a working condition fringe benefit.

A course must meet one of the following criteria to be considered job-related.

- (I) It is specifically required by New York State law or regulation to maintain salary, status or job;
or
 - (ii) It directly supports or improves skills required for current job responsibilities.
2. Tuition assistance given to employees of education institutions for education below the graduate level is tax free, whether the recipient attends the employing educational institution or another school.

At this time, do not report any employer provided educational assistance payments made in 1995 to an employee that total \$5,250 or less. This exclusion is in addition to any amount excluded in the preceding paragraph. If the \$5,250 exclusion is not reinstated for 1995, OSC will issue further instructions.

Taxable
Payments

All amounts of educational assistance paid to an employee that exceed \$5,250 and are not excludable, are taxable and must be reported as explained in the following.

Agency
Reporting

In order for OSC to receive and process this information accurately on the employee's W-2, do not submit any vouchers with taxable tuition reimbursements with December payment dates. If these vouchers cannot be paid by November 30, 1995, do not schedule them for payment by the CAS until January, 1996.

The taxable amounts for 1995 should be reported as soon as possible but no later than Institution Period 18-Lag and 19-Current, and Administration Period 18-Lag and 19-Current as described below.

1. Active Employees

A PR-75 must be completed to enter the amount of taxable Educational Assistance into the employee record to withhold required taxes and for reporting on W-2's.

Transaction code EDUC ASST is used for reporting the information for active employees.

Transaction Code: EDUC ASST

Group 3

Class B

Block Requirements: 01 thru 06 and the following:

07 Transaction Code - EDUC ASST

49 Misc. Block A - Taxable Amount

Do not include the Educational Assistance amount in the Gross (Add). It is not an amount to be paid, but only reported as gross income. The Educational Assistance amount must be in the Miscellaneous Blocks; do not report it in Remarks.

In processing, the taxable amount will be added to the Biweekly Gross prior to the calculation of Federal, State City and Social Security/Medicare taxes.

The amount will be shown on the check stub in the ADPTL SAL INFO block with the code EDA and will be included in the YTD GROSS. It will also appear on the salary register and in the YTD GROSS and in the YTD EDUC ASST on the summary.

2. Inactive Employees

Do not submit PR-75's. Prepare a letter including the line number, name, SS# and taxable amount for each employee and submit the letter with your payroll for the period.

If additions or adjustments must be made for 1995 after the applicable payroll period listed above, do not submit PR-75's. Contact Bob Phelan of the Payroll Deduction Section at (518) 473-1989. These adjustments must be received and processed by this Office prior to January 3, 1996 for Institutional Payrolls, and January 10, 1996 for Administrative Payroll, or you will have to prepare amended W-2's.

Direct questions on this bulletin to the Accounting Information Center (518) 473-1170.