



# PAYROLL BULL

<b>Subject</b>  Federal Tax Law Changes Affecting Educational Assistance Payments	<b>Bulletin No.</b>  P-963/A-426
	<b>Date</b>  November 18, 1997

**INTRODUCTION**

This bulletin updates Bulletin A400/P926 and contains information on the changes to the Federal Tax Laws contained in the Taxpayer Relief Act of 1997 which affect employer-provided educational assistance payments. The 1997 Taxpayer Relief Act has partially reinstated Internal Revenue Code Section 127 providing for the exclusion from taxes of up to \$5,250 per year of non-job-related educational assistance for undergraduate education payments.

The \$5,250 exclusion for non-job-related undergraduate education had expired for courses beginning after June 30, 1997. The Taxpayer Relief Act of 1997 reinstates the exclusion for undergraduate courses that begin before June 1, 2000.

**GRADUATE  
LEVEL COURSES  
ARE TAXABLE**

The exclusion for non-job related graduate level courses was eliminated for all courses beginning after June 30, 1996. Therefore, payments for graduate level courses made in 1997 are subject to wage reporting and withholding. Payments for such courses made through the Central Accounting System (CAS) must be reported to the OSC Payroll System according to the procedures contained in this bulletin.

**AGENCY  
REPORTING**

The taxable amounts for 1997 should be reported as soon as possible but no later than Institution Period 19-Lag and 20-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's record for withholding of required taxes and 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 through 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, Social Security/Medicare and City taxes.

The amount will be shown on the check stub in the ADDTL 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.

**RECAP**

<b><u>TYPE OF EDUC. ASSIST. PAYMENT</u></b>	<b><u>EXCLUDABLE</u></b>	<b><u>EXCLUDABLE UP TO \$5,250/YR</u></b>	<b><u>REPORTABLE AND SUBJECT TO WITHHOLDING</u></b>
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<b>Job-Related Payments</b>	<b>X</b>		
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**Non-Job-Related Payments**

For undergraduate courses beginning before June 1, 2000	<b>X</b>		
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For graduate courses beginning after June 30, 1996			<b>X</b>
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