



Office of the State Comptroller
PAYROLL BULLETIN

Subject Reporting of Taxable Education Assistance Payments Made in 1994; Expiration of \$5,250 Exclusion in 1995	Bulletin No. P-835/A-348
	Date November 7, 1994

INTRODUCTION

This bulletin supersedes Bulletins A-326 and P-792 and contains instructions for determining and reporting the taxable portion of employer-paid educational assistance for 1994. It also contains important information regarding the expiration in 1995 of the \$5,250 exclusion.

The regulations for determining taxability of 1994 educational assistance payments are reviewed below. The rules apply whether payments are made to the employee or to an educational institution on behalf of the employee.

**DETERMINATION OF
TAXABLE EDUCATIONAL
ASSISTANCE PAYMENTS**

Educational assistance payments made in 1994 are taxable only to the extent that the total payments to an employee taking non-job-related undergraduate or graduate level courses exceed \$5,250. The amount above \$5,250 is taxable.

Educational assistance payments made in 1994 are not taxable if they fall into one of the following categories.

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.

3. Tuition assistance given to graduate students employed as teaching and research assistants is tax free.

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, 1994, do not schedule them for payment by the CAS until January, 1995.

The taxable amounts for 1994 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 ADDT'L 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 1994 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 the production of 1994 W-2's in January, or you will have to prepare amended W-2's.

EXPIRATION OF \$5,250 EXCLUSION IN 1995

The current Federal Tax provision which exempts up to \$5,250 of non-job-related educational assistance from income, social security and medicare taxes is scheduled to expire on December 31, 1994. Where practicable, agencies should process vouchers for these payments allowing sufficient time for payment by OSC before January 1. This will reduce taxes for the State and employees if the exemption is not restored.

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

