



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
BUREAU OF STATE PAYROLL SERVICES
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H. CARL McCALL
STATE COMPTROLLER

ROBIN R. RABII
DIRECTOR

To: Recipients of Taxable Educational Assistance Benefits
From: Robin R. Rabii
RE: **Educational Assistance Benefits**
Date: November 13, 2002

This is to notify you that the educational assistance benefits you received in 2002 have been submitted to the Office of the State Comptroller so that the State can withhold taxes on those benefits.

Tax Rules

Beginning January 1, 2002, the exclusion of up to \$5,250 per year of employer-provided educational assistance applies to both graduate and undergraduate courses whether the course is job-related or not.

Benefits that exceed the \$5,250 threshold are generally taxable unless they can be excluded as a "working condition fringe benefit".

To meet the requirements of the "working condition fringe benefit" exclusion, the benefit must meet certain tests. Specifically, the course:

- Maintains or improves skills that an employee is required to have for employment;
- Is expressly required by the employer, or is legally required in order to retain an established employment relationship, status, or rate of compensation.

The following types of education do not qualify as job-related:

- Courses needed to meet the minimum educational requirements to qualify for employment, or
- Education that will qualify an employee for a promotion or transfer to a new trade or business.

Paycheck Information

The taxable amount of the educational assistance benefits you received will be displayed on your pay stub along with the description "Education Assistance-Taxable" in the "Earnings" portion of the stub. This taxable amount will increase your Federal, State and local income tax withholdings as well as your Social Security and Medicare withholdings in the period or periods in which it is processed through the payroll system. The amount of the increase will vary based upon your salary, your exemptions, your tax bracket and the value of the benefit you received.

Questions

You should consult with your tax advisor if you have any questions regarding the taxability of your educational assistance benefits. Other questions related to the processing of tax withholding on your benefits should be directed to your agency payroll or other appropriate administrative office.