



OFFICE OF THE COMPTROLLER
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STATE OF FLORIDA
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April 13, 2001

IN REPLY REFER TO:
DBFBP 01-09

TO: Agency Payroll Offices

FROM: Diana Flagg, Chief
Bureau of State Payrolls

SUBJECT: **TAXABLE TUITION WAIVERS - SPRING TERM 2001**

Internal Revenue Code (IRC) Section 127 provides for the exclusion from an employee's taxable wages of up to \$5,250 per year of employer-provided education assistance for undergraduate studies that begin before December 31, 2001. This exclusion does not apply to graduate level courses. IRC Sections 132 and 162 provides that employers may exclude from an employee's taxable wages certain working condition fringe benefits, including employer payments for job-related education assistance.

JOB-RELATED EDUCATION ASSISTANCE

Job-related educational assistance, including amounts in excess of \$5,250 and qualifying graduate level courses, may be treated as a nontaxable working condition fringe benefit. Job related education is that which:

- 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:

- Minimum educational requirements to qualify for employment, or

- Education that will qualify an employee for a new trade or business.

Additional information concerning the taxability of tuition waivers may be found in the Fringe Benefits section of Payroll Preparation Manual, Volume V, Section 6.

GRADUATE LEVEL TUITION WAIVERS

The attached schedule lists agency employees enrolled in Spring Term 2001 graduate level courses under the state tuition waiver program and the tuition values reported to the Bureau of State Payrolls (BOSP) by the state universities. Please review the courses listed for your employees and determine those courses that are job related and excludable from taxation as provided by Internal Revenue Code and Internal Revenue Service Regulations. Tuition values not exempt from taxation must be reported to the BOSP as outlined below using the On-Line Cancellation and Adjustment System.

Taxable tuition values reported to the BOSP are subject to income and FICA (social security and Medicare) taxes. Due to payroll systems limitations the Comptroller's Office cannot include taxable non-cash values with the employees' regular salary payment and therefore cannot withhold income and FICA taxes programmatically. These taxable values will be included with the employee's earnings through the employee record adjustment process. This process collects the FICA taxes on the next regular payroll after the employee record update is entered, or from the agency FLAIR account, but does not collect income taxes. Agencies should notify employees having taxable tuition values of this additional tax liability so that they may adjust their Form W-4, Employee's Withholding Allowance Certificate, as needed.

Taxable tuition values must be reported in the current calendar year and cannot be carried over into the next calendar year. Employing agencies and universities are encouraged to report these values as soon as possible. Agencies collecting FICA taxes through the payroll process in December should exercise care to ensure that the values are entered and approved prior to processing the last payroll of the year.

REPORTING TAXABLE TUITION ON-LINE

Employing agencies and universities must report taxable tuition values to the BOSP using the on-line employee record adjustment system for non-cash adjustments. This system is accessed through the Payroll Main Menu (PYRL), Cancellations and Adjustments (CA), Non-cash Adjustments (NC). Utilizing the system requires two

separate agency actions; after the record is added it must then be approved.

For additional information about the use of these screens, refer to the BOSP Payroll Preparation Manual, Volume V, Section 16, ONLINE NON-CASH ADJUSTMENTS (Revised November 1999). Questions concerning the use of these screens should be directed to Janet Joiner, Employee Records Section, telephone SUNCOM 210-9435, or, (850) 410-9435. E-mail:<Janet_E_Joiner@mail.dbf.state.fl.us>.

Only taxable tuition values are to be reported to the BOSP. Tuition values for courses determined to be job related and therefore not taxable, and the supporting documentation, should be retained by the agencies and available upon request.

Agency Reporting for Current Employees

The following data requirements apply to the collection of social security and Medicare taxes through the payroll process for currently employed employees.

Tax ID Number	: _____	Social Security Number
Earning Code	: _____	Use Code 9103 for Taxable Tuition
Earning Amount	: _____	Use the Taxable Tuition Value
Benefit End Date:	_____	For Spring Term use 03312001
Retirement Code	: _____	Use regular retirement code
Gross Up (Y/N)	: _____	Use N (not subject to gross up)
Empee Pay Cycle	: _____	B = Biweekly, or, M = Monthly
Organization Code:	_____	First 4 digits, then zero fill
Agency OLO	: _____	Agency 4 digit code. Example: UF = 4910; DOT = 5500
Last Name	: _____	System generated
First Name	: _____	System generated
Middle Initial	: _____	System generated

Agency Reporting for Employees No Longer on the Payroll

Prior to entering taxable tuition waiver records into the On-line Cancellation and Adjustment System agencies should verify that the employee is still employed by the agency. Agencies having taxable tuition waivers for employees no longer on the payroll must report those taxable values and pay the employer and employee FICA taxes. Employee taxes paid by the employer are considered additional income to the employee unless collected from the employee during the calendar year.

The following data requirements apply to the collection of social security and Medicare taxes from the agency FLAIR account for former employees.

Tax ID Number : _____ Social Security Number
 Earning Code : _____ Use Code 9103 for Taxable Tuition
 Earning Amount : _____ Use the Taxable Tuition Value
 Benefit End Date: _____ For Spring Term use 03312001
 Retirement Code : _____ Use regular retirement code
 Gross Up (Y/N) : _____ Use N (not subject to gross up)
 Empee Pay Cycle : _____ Leave Blank
 Organization Code: _____ First 4 digits, then zero fill
 Agency OLO : _____ Agency 4 digit code
 Example: UF = 4910; DOT = 5500
 FLAIR Acct Code : _____ 29 Digit FLAIR Account Code from
 which FICA should be collected.
 Last Name : _____ System generated
 First Name : _____ System generated
 Middle Initial : _____ System generated

Should you need additional information, refer to Payroll
 Preparation Manual, Volume V, Section 16 for the on-line
 procedures for reporting record adjustments having employer paid
 taxes.

If you have any questions concerning these procedures please
 contact Ernest Thompson at SUNCOM 210-9432; (850)410-9432 or
 e-mail address <Ernest_L_Thompson@mail.dbf.state.fl.us>.
 Questions concerning data input and the use of the PYRL screens
 should be directed to Janet Joiner at SUNCOM 210-9435; 850-410-
 9435 or e-mail address: <Janet_E_Joiner@mail.dbf.state.fl.us>.

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Attachment (agency listing)