



**OFFICE OF THE COMPTROLLER**  
**DEPARTMENT OF BANKING AND FINANCE**  
**STATE OF FLORIDA**  
**TALLAHASSEE**  
**32399-0350**

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COMPTROLLER OF FLORIDA

September 11, 2001

IN REPLY REFER TO:  
DBFBP 01-25

TO: Agency Payroll Offices

FROM: Diana Flagg, Chief  
Bureau of State Payrolls

SUBJECT: TAXABLE TUITION WAIVERS - SUMMER 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; or
- 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 VI, Section 3.

#### **GRADUATE LEVEL TUITION WAIVERS**

The attached schedule lists agency employees enrolled in Summer 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 the 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. 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 8, Online Non-Cash Adjustments (Revised May 2001). Questions concerning the use of these screens should be directed to Janet

Joiner, Employee Records Section, at (850) 410-9435, SunCom 210-9435, or email: [jjoiner@mail.dbf.state.fl.us](mailto:jjoiner@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 made 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 Summer Term use 06302001
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 Summer Term use 06302001
Retirement Code	: _____	Use regular retirement code
Gross Up (Y/N)	: _____	Use Y (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 that  
FICA should be collected from  
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 8 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: [ethompson@mail.dbf.state.fl.us](mailto:ethompson@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:  
[jjoiner@mail.dbf.state.fl.us](mailto:jjoiner@mail.dbf.state.fl.us).

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Attachment (agency listing)