The California State University  
Office of the Chancellor  
400 Golden Shore  
Long Beach, CA 90802-4275  
(310) 985-2694

Code: TECHNICAL LETTER  
HR/TD 5500  
95 - 01

Date: April 5, 1995

To: Associate Vice Presidents/Deans of Faculty Personnel Officers

From: Jeanne Picard, Director  
Academic Personnel Services  
Human Resources

Subject: Fee Waiver Program

We have been notified that the State Controller’s Office will soon be directing all state agencies to report educational assistance reimbursements as taxable income. This new reporting requirement stems, in part, from the lapse of Internal Revenue Code Section 127, which exempted up to $5,250 annually (per employee) in employer-paid educational assistance benefits. Section 127 expired as of December 31, 1994, and at this time its re-enactment is uncertain.

The effect of this change in policy on the CSU is limited. As the Fee Waiver Program is a qualified tuition reduction program under Internal Revenue Code Section 117, all undergraduate-level education (undertaken by faculty spouses and dependents as well as University employees) is excluded from taxation. In addition, all job-related graduate-level coursework pursued by employees on a fee waiver basis is also non-taxable. The items that appear to be subject to taxation at this time are: (1) fee waiver benefits used by spouses or dependents for graduate-level work, and (2) fee waiver benefits for graduate work undertaken by employees for career development purposes. In these circumstances, University payroll offices will be required by the Controller to report the waived fees as income.

Your campus will soon receive a Payroll Letter from the State Controller’s Office on this subject; another Technical Letter from this office on a number of procedural issues will follow shortly thereafter. In the interim, appropriate campus personnel may wish to begin the data collection process for benefits received on or after January 1, 1995 that are now categorized as reportable income.

JP:jj

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The California State University  
Office of the Chancellor  
400 Golden Shore  
Long Beach, CA 90802-4275  
(310) 985-2594

Date: June 22, 1995

To: Associate Vice Presidents/Deans of Faculty Personnel Officers

From: Jeanne Picard  
Academic Personnel Services  
Human Resources

Subject: Fee Waiver Program

As many of you are aware, the State Controller’s Office (SCO) recently issued Payroll Letter 95-009 to announce that employer-provided educational assistance reimbursement would now be regarded, in certain circumstances, as taxable income. Since fee waiver benefits are included in the definition of educational assistance reimbursement, campus payroll offices are required to report this form of taxable income to the SCO via Form STD. 676.

Please note the following when working with payroll office personnel to implement Payroll Letter 95-009.

- Fee waiver benefits received prior to 1/1/95 are not subject to taxation. Thus, Winter Quarter 1995 or Spring Semester 1995 should be the first period reviewed when fulfilling current reporting obligations.

- Pursuant to Internal Revenue Code §117, all undergraduate educational benefits provided on a fee-waiver basis to employees, faculty spouses or faculty dependents are excluded from taxation. Please refer to course numbers when determining whether an individual’s fee waiver enrollment can be regarded as undergraduate-level and therefore tax-exempt.

- With regard to graduate education under the fee waiver program, enrollment in job-related or job-required courses by CSU employees

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HR/TD 5500
95-01, Supplement 1

is also excluded from taxation. Fees waived for graduate enrollment by employees pursuing career-development plans, or fees waived for any graduate enrollment by spouses or dependents of faculty members, will need to be reported as taxable income.

• Fees waived on behalf of a faculty member’s spouse or dependent for enrollment in graduate-level courses must be reported as taxable income for the faculty employee. This may involve coordination between two institutions, since a faculty member could be employed by a CSU campus other than the one at which the spouse or dependent is enrolled. (A listing of Unit 3 fee waiver coordinators throughout the system is attached and may be useful when handling reporting situations involving two campuses.)

• When reporting additional income stemming from fee waiver enrollment during more than one term (e.g., Winter Quarter 1995 and Spring Quarter 1995), campuses may wish to ‘stagger’ the reporting across two pay periods in order to avoid an unduly large impact on any one salary warrant. (This can be done while complying with the reporting timelines noted on page 2 of Payroll Letter 95-009, since accurate data on fee waiver enrollments are generally unavailable during the first few weeks of a term.)

General questions regarding the fee waiver program or the taxation of fee waiver benefits may be directed to me at (310) 985-2694. Questions on payroll processing issues related to fee waiver taxation should be directed to Theresa Hines, Payroll Programs Specialist, at (310) 985-2674.

JP:dd

Attachment
CSU Faculty Fee Waiver Coordinators

**CSU, Bakersfield**
Mark Murie  
Personnel Services  
(805) 664-3203

**CSU, Chico**
Ingrid Cordes  
Personnel Office  
(916) 898-6435

**CSU, Dominguez Hills**
Allene Quarles  
Personnel Services  
(310) 516-3530

**CSU, Fresno**
Edward Varela  
Human Resources  
(209) 278-2032

**CSU, Fullerton**
Janan Zoriker  
Faculty Affairs and Records  
(714) 773-2125

**CSU, Hayward**
Arlene Reiff  
Human Resources  
(510) 885-2264

**Humboldt State University**
Pat Vanderklis  
Academic Affairs  
(707) 826-5483

**CSU, Long Beach**
Donna Johnson  
Academic Affairs/Academic Personnel  
(310) 985-7667

**CSU, Los Angeles**
Daniel Thomas  
(alternate: Olga Burt)  
Human Resource Management  
(213) 343-3651

**CSU, Northridge**
Carol Hallenbeck  
Personnel & Employee Relations  
(818) 885-2290  
*after 6/15/94:* (818) 885-2173

**CSPU, Pomona**
Louise Wilson  
Personnel Services  
(909) 869-3232

**CSU, Sacramento**
Kim Harrington  
Faculty and Staff Affairs  
(916) 278-6327

**CSU, San Bernardino**
Karen Logue  
Human Resources  
(909) 880-5138

**San Diego State University**
John Huegel  
Personnel Services  
(619) 594-2449

**San Francisco State University**
Marcia Allsopp  
Human Resources  
(415) 338-1545

**San Jose State University**
Lilly Martinez  
Faculty Affairs  
(408) 924-2452

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<thead>
<tr>
<th>CSU Faculty Fee Waiver Coordinators</th>
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<tbody>
<tr>
<td>CPSU, San Luis Obispo</td>
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<tr>
<td>Joan Lund</td>
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<td>Human Resources</td>
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<tr>
<td>(805) 756-6563</td>
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<td>CSU, San Marcos</td>
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<td>Deborah Coronado</td>
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<td>Human Resources Management</td>
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<td>(619) 752-4426</td>
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| Sonoma State University            |       |
| Barbara Kelley                      |       |
| Human Services                      |       |
| (707) 664-2166                      |       |

| CSU, Stanislaus                    |       |
| Joyce Carranza                     |       |
| Human Resources                     |       |
| (209) 667-3353                      |       |