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

Code: TECHNICAL LETTER  
HR/TD 96-01

Date: October 3, 1996

To: Associate Vice Presidents/Deans of Faculty  
   Personnel Officers  
   Payroll Supervisors

From: Jeanne Picard, Director  
   Academic Personnel Services

Subject: CSU FEE WAIVER PROGRAM

Congress has approved, and the President has signed, legislation to reinstate the Federal tax exclusion for employer-provided educational assistance (see State Controller’s Office Payroll Letter 96-026, attached). The retroactive reinstatement of the exclusion for graduate-level education during the period January 1, 1995 through June 30, 1996 is of particular importance to the CSU.

Campuses may wish to advise employees who participated in the fee waiver program during the period 1/1/95-6/30/96, and whose tax withholding and/or reportable income were affected by graduate enrollment, that adjustments will be made in accord with SCO policy (see “Corrected Forms W-2 and Tax Refunds”, page 2, PL 96-026). Similarly, campuses may wish to advise individuals who participate in the fee waiver program after 6/30/96 that graduate-level educational assistance benefits may have tax consequences as outlined in the attached SCO Payroll Letter.

Please note that the second paragraph on page 1 of Payroll Letter 96-026 incorrectly indicates both graduate-level and undergraduate-level educational assistance benefits provided after 6/30/96 must be reported to the Controller. I have been advised the Controller’s Office will be issuing an amended version of PL 96-026 which corrects this misstatement and clarifies that only graduate-level benefits provided after 6/30/96 must be reported (assuming no other basis for their exemption or exclusion applies).

Campus fee waiver administrators may wish to consult FSR 88-24, Supplement 1 for information which may be of assistance when reviewing fee waiver enrollment data for payroll reporting purposes.

Questions regarding this letter or other aspects of the fee waiver program may be directed to me at 310/985-2694. Thank you.

Attachment

Distribution:  Presidents  
              Vice Chancellor, Human Resources and Operations  
              Vice Presidents, Academic Affairs  
              Vice Presidents, Administration  
              Employee Relations Designees  
              Benefits Officers
STATE OF CALIFORNIA

KATHLEEN CONNELL,
Controller of California

OFFICE OF STATE CONTROLLER
PERSONNEL/PAYROLL SERVICES DIVISION
300 Capitol Mall
P.O. Box 942850
Sacramento, CA 94250-5878

DATE: September 19, 1996

PAYROLL LETTER # 96-026

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: RALPH ZENTNER, Chief
Personnel/Payroll Operations Bureau

RE: EDUCATIONAL ASSISTANCE

************************************************************************************
PLEASE NOTE: YOU WILL NOT RECEIVE A HARD COPY OF THIS PAYROLL LETTER
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ACCOUNTING OFFICES ON THE STATE CONTROLLER’S OFFICE (SCO)
OFFICEVISION PAYROLL LETTER DISTRIBUTION LIST WILL RECEIVE
A COPY OF THIS LETTER UNDER SEPARATE OFFICEVISION MAILING.
IF YOUR ACCOUNTING OFFICE IS NOT ON THE DISTRIBUTION LIST,
PLEASE SHARE A COPY OF THIS LETTER WITH THEM.

This Payroll Letter announces the retroactive extension of
the employer-provided Educational Assistance (EA)
exclusion. Submit Forms STD. 676P or 676V to SCO only if
1) the annual accumulated EA benefit for an employee
exceeds $5,250 or 2) the EA benefit is for under-graduate
or graduate level education after June 30, 1996.

GENERAL INFORMATION

This payroll Letter supersedes Payroll Letter #’s 95-009,
dated May 30, 1995 and 96-009 (CSU Only) dated April 3,
1996. Those letters announced that the exclusion for
employer-provided EA was not extended. Agencies/campuses
were required to report the taxable/reportable EA payments
to SCO.

On August 20, 1996, the Small Business Job Protection Bill
(HR3448) was signed retroactively extending the exclusion
for employer-provided EA from January 1, 1995 to mid 1997.

- 2 -

NOTE: IRC Sections 132 and 162 allow that
employer-provided job related and job required education is considered non-taxable and non-reportable. In addition, the Fee Waiver Program offered by CSU is a qualified tuition reduction program under IRC Section 117. All under-graduate level education provided under the CSU Fee Waiver Program is excluded from reporting/taxation.

1995 TAX YEAR ALLOWANCES

Employer-provided EA amounts up to $5,360 for job required/job related or upward mobility/career related education constitute non-reportable and non-taxable income. The exclusion applies to both under-graduate and graduate level education.

1996 TAX YEAR ALLOWANCES

Employer-provided EA amounts up to $5,250 for job required/job related or upward mobility/career related education constitute non-reportable and non-taxable income. The exclusion applies to under-graduate level education for the entire year. However, the exclusion does not apply to graduate level education beginning after June 30, 1996.

1997 TAX YEAR ALLOWANCES

Employer-provided EA amounts up to $5,250 for job required/job related or upward mobility/career related education for courses beginning January 1 through May 31, 1997 constitute non-reportable and non-taxable income. The exclusion applies only to under-graduate level education. The exclusion does not apply to graduate level education. All employer-provided graduate level education is reportable/taxable.

CORRECTED FORMS W-2 AND TAX REFUNDS

Federal regulations allow employees to receive Income Tax, Social Security (SS) and Medicare refunds. Federal/State Income Tax refunds require the employee to file an amended Income Tax Return. SCD will issue SS/Medicare refunds for 1995 and 1996. Corrected Forms W-2 (Forms W-2C) for 1995 will be issued and wages for 1996 will be reduced by EA amounts.

CONTACTS

Additional information regarding the EA tax exclusion and the associated tax refunds/Forms W-2C issuance will be released in a subsequent Payroll Letter. If you require additional information regarding EA reporting/withholding requirements, please contact Wendy Justinich at (916) 322-8112 or CALNET 492-8112.

RZ: WJ/tss