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To: Recipients of Taxable Educational Assistance Benefits

From: Robin R. Rabii, Director Bureau of State Payroll Services

RE: Educational Assistance Benefits

Date: October 31, 2014

This is to notify you that the educational assistance benefits you received in 2014 have been reported to the Office of the State Comptroller in order to facilitate the required reporting and withholding of applicable employment and income taxes.

Tax Rules

In general, job-related educational assistance benefits are not taxable while non-job-related benefits are taxable, with the following clarifications and exceptions:

- No reporting or tax withholding is required on educational assistance benefits provided to State employees up to the \$5,250 limit for the tax year.
- Benefits that exceed the \$5,250 limit are generally taxable, unless they qualify for exclusion as a “working condition fringe benefit.”
- To meet the “working condition fringe benefit” exclusion, the benefit must meet the following tests. Specifically, the course:
 1. Must not be for the purpose of satisfying the minimum educational requirements of the job; and
 2. Must not qualify the employee for a promotion or transfer to a new trade or business; and
 3. Must maintain or improve current job skills required by the employer or by Federal or State law in order to retain the particular job, title or pay rate.

Paycheck Information

The taxable amount of the educational assistance benefits you received that exceeds the \$5,250 limit will be displayed on your paycheck stub or direct deposit advice statement along with the description "Education Assistance-Taxable" (EDA) 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 taxes in the period(s) in which it is processed through the payroll system. The amount of the increase will vary based upon your year-to-date salary, your exemptions, your tax bracket and the value of the benefit you received.

Questions

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