

OREGON ACCOUNTING MANUAL	
Subject: Accounting and Financial Reporting	Number: 50.10.00.PO
Division: State Controller's Division	Effective date: July 1, 2009
Chapter: Tax Issues	
Part: Educational Assistance Payments	
Approved: John Radford, State Controller	Signature on file at SCD

POLICY PURPOSE:

.101 This policy provides guidelines to state agencies for the classification, payment and reporting of educational assistance or reimbursements.

AUTHORITY: ORS 292.036; Internal Revenue Code Section 127; Internal Revenue Code Section 132(d); State HR Policy 50.045.01

EDUCATIONAL EXPENSE REIMBURSEMENTS:

.102 IRC 132(d) considers reimbursement of job-related educational expenses as a working condition fringe benefit that is not taxable income to the employee if the following rules are met.

- a. The educational courses are job-related and either improve or maintain job skills, and
- b. The educational courses are required by the employer or by law to keep the employee's current position, status, salary level or certification.

.103 IRC 132(d) defines educational expenses for which the reimbursement is taxable income to the employee as the following:

- a. Courses needed to meet the minimum educational requirements of the current job, if the employee did not possess those minimum educational requirements when hired. (This may be non-taxable under IRC 127, Educational Assistance.)
- b. Courses that qualify the employee for a new trade or business.

.104 Expenses that qualify for educational expense reimbursement under IRC 132(d) include:

- a. Tuition, books, supplies and equipment
- b. Travel and transportation costs
- c. Undergraduate or graduate level courses

EDUCATIONAL ASSISTANCE PROGRAM:

.105 IRC 127 considers educational expenses paid or reimbursed through a qualified employer educational assistance program as non-taxable income to the employee, if certain requirements are met:

- a. The employer must maintain a written plan.
- b. Payments are limited to \$5,250 per calendar year.

Non-job related educational expenses and educational expenses needed to meet the minimum educational requirements of a currently-held position qualify for reimbursement under an IRC 127 plan.

.106 IRC 127 limits expenses related to an educational assistance program to tuition, books, supplies and equipment necessary for class. Transportation, lodging and meals, as well as tools or supplies that the employee may keep once the course is completed, are not covered. Educational expenses related to sports, games or hobbies are also excluded unless they are job-related.

REVIEW AND APPROVAL:

.107 The agency head or designee must ensure that the agency's educational reimbursement or educational assistance policy is consistent with State HR Policy 50.045.01. Agency management must determine the taxability of all educational payments and must communicate the tax status to the affected employee.

.108 Management must review and approve all educational payments. Agencies must retain signed and dated authorizations in the employee's payroll file for five years following payment. The authorization must include the employee's name, the course name and description, amount paid, and taxability status.

.109 Agencies must make educational assistance payments to employees on a reimbursement basis, unless agency management approves an exception in writing.

.110 Agencies must pay or record all educational assistance payments through the Oregon State Payroll Application (OSPA). Refer to the companion procedure OAM 50.10.00.PR for details.