

# OREGON ACCOUNTING MANUAL

<b>DAS</b> DEPARTMENT OF ADMINISTRATIVE SERVICES  STATEWIDE POLICY	<b>NUMBER</b> 50.10.00	<b>SUPERSEDES</b> 50.10.00.PO & .PR dated 07/01/2009
	<b>EFFECTIVE DATE</b> TBD	<b>PAGE NUMBER</b> Pages 1 of 3
<b>Division</b> <b>Chief Financial Office</b>	<b>REFERENCE/AUTHORITY</b> ORS 292.036 DAS Payroll Authorization Internal Revenue Code (IRC) Section 127 – Educational Assistance Programs IRC Section 132(d) – Working Condition Fringe DAS Chief Human Resources Office (CHRO) Policy Number 50.045.01 Employee Development and Implementation of Oregon Benchmarks for Workforce Development.	
<b>Policy Owner</b> Statewide Accounting and Reporting Services		
<b>SUBJECT</b> Tax Issues – Educational Assistance Payments	<b>APPROVED SIGNATURE</b>  <i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i>	

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

## **PURPOSE**

This policy guides state agencies to classify, pay and report educational assistance or reimbursements.

## **APPLICABILITY**

All state agencies as defined in **OAM 01.05.00**.

## **FORMS/EXHIBITS/INSTRUCTIONS**

None.

## **DEFINITIONS**

[Click here for other definitions.](#)

## **EXCLUSIONS AND SPECIAL SITUATIONS**

None.

## **GENERAL INFORMATION**

The agency determines whether an employee would be reimbursed educational expenses in accordance with DAS Chief Human Resources Office (CHRO) policy number 50.045.01. Educational expenses reimbursement is taxable unless the reimbursement is of job-related educational expenses or through a qualified employer

educational assistance program. The topic falls under gross income in the federal tax code, fringe benefits in the regulations with general administrative guidance in Publication 15-B and specifics for governments in Publication 5137.

**POLICY:**

**EDUCATIONAL EXPENSE REIMBURSEMENTS:**

- .101 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 both the following rules are met:
  - a. The educational courses are job-related and either improve or maintain job skills.
  - b. The educational courses are required by the employer or by law to keep the employee's current position, status, salary level or certification.
- .102 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.
- .103 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:**

- .104 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.

- .105 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.~~

### PROCEDURES:

- .106 Agency management must authorize ~~educational assistance or reimbursements in compliance payments to comply~~ with IRS ~~regulations, OAM 50.10.00.POrules~~ and State HR Policy 50.045.01. Agencies must classify all payments as taxable ~~and/or~~ non-taxable, ~~and receipts or other documentation.~~ Receipts must support the payments.
- .107 Agencies must pay or record both taxable and non-taxable educational assistance payments through the Oregon Statewide Payroll Application (OSPA), ~~using~~. Use pay code EDN for non-taxable payments and pay code EDT for taxable payments.
  - a. To reimburse ~~an employee for educational expenses~~, the agency's payroll unit enters ~~the transaction into an~~ OSPA ~~as a~~ gross pay adjustment, using the code(s) noted above. ~~The employee will~~Employees receive ~~the~~ reimbursement in the next regularly scheduled payroll.
  - b. To record ~~advances made an advance~~ to the employee or ~~paid directly a direct payment~~ to a third party, the agency's payroll unit first enters ~~the payments as a an OSPA~~ gross pay adjustment ~~into OSPA~~ using the code(s) noted above. If ~~the agency paid the advance advanced~~ to the employee, the agency's payroll unit enters a PANN transaction on the employee deduction screen. If ~~OSPS paid the advance advanced~~ using a manual check, the agency's payroll unit enters a PPNN transaction on the employee deduction screen. In either case, the entry on the deduction screen must match the amount of the

advance. ~~Employees may see a reduction in their net pay when the related taxes are deducted~~ Taxes deducted reduce employee net pay.

.108 Educational expense or assistance payments post to comptroller object 4406 Professional Development.

.109 Agencies must retain signed and dated authorizations ~~for these payments~~ in the employee's payroll file for ~~a minimum of five years~~ following payment. The authorization must include the employee's name, the course name and description, amount paid, and taxability status.

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