

MINNESOTA STATE COLLEGES AND UNIVERSITIES
January 2005
Notice
of
Employer-Provided Educational Assistance

The Minnesota State Colleges & Universities System has a written educational assistance plan to meet the requirements of Internal Revenue Code Section 127. The purpose of the plan is to exempt certain educational assistance benefits from taxation; the plan covers benefits provided under System personnel plans and bargaining agreements. Under federal and state law, the first \$5,250 of tuition assistance used by the employee under the plan is not subject to income taxation. Separate rules apply to spouses and dependents (see below).

Review your applicable employee bargaining agreement/personnel plan for details regarding educational benefits. Please contact your campus Human Resources Office with any questions.

Employee Income Tax Consequences

If you are an employee of Minnesota State Colleges & Universities and you take undergraduate level courses via tuition waiver, you are not subject to taxation on any benefits received (i.e., there is not a dollar limitation for tax purposes under Internal Revenue Code Section 117). However, if you receive tuition reimbursement (not tuition waiver) for undergraduate level courses, you will be subject to taxation on tuition in excess of \$5,250 in a calendar year. You will also be subject to taxation on graduate level tuition waiver and/or reimbursements received in excess of \$5,250 in a calendar year.

Special rules for spouse/dependent(s): Tuition waivers for undergraduate level courses taken by spouses or dependents are not subject to taxation. All graduate level tuition waiver benefits used by a spouse or dependent are subject to taxation.

All taxation will be in accordance with federal and state law.

Quick Reference Table

Person receiving benefits	Course Level	Benefit Type	Tax Consequences
Employee	Undergraduate	Tuition Waiver	Non-Taxable
Employee	Undergraduate	Tuition Reimbursement	Amount in Excess of \$5,250 is taxable
Employee	Graduate	Tuition Waiver	Amount in Excess of \$5,250 is taxable
Employee	Graduate	Tuition Reimbursement	Amount in Excess of \$5,250 is taxable
Spouse or Dependent	Undergraduate	Tuition Waiver	Non-Taxable
Spouse or Dependent	Graduate	Tuition Waiver	Subject to taxation.

This summary is provided for the convenience of employees; employees should discuss any questions regarding personal income tax issues with their tax advisor or preparer. Additional information regarding educational assistance plans in general is available from the IRS at: <http://www.irs.gov/publications/p970/ch11.html>. A copy of the educational assistance plan for the Minnesota State Colleges and Universities is on the Human Resources Division web site at: <http://www.hr.mnscu.edu> under “Quick Links”.