



DAWN CLARK NETSCH

Comptroller
State of Illinois

State of Illinois Center
100 West Randolph, Suite 15-500
Chicago, Illinois 60601
312/814-2451

201 State House
Springfield, Illinois 62706
217/782-6000

January 14, 1993

PAYROLL BULLETIN
(1-93)

TO: All State Agencies, Departments, Boards, Commissions
and Universities

SUBJECT: Educational Assistance

Immediate Action Required to Avoid Penalties

As reported in Payroll Bulletin 5-92, President Bush vetoed H.R. 11 on November 4, 1992, causing the exclusion for employer-provided educational assistance to expire on June 30, 1992. Thus, employer-provided educational assistance paid after June 30, 1992, which does not otherwise qualify for tax exclusion (see Determining Taxability), must be reported as taxable income in the year of payment and is subject to income, Social Security and Medicare tax withholding. The employing agency is also responsible for the employer's share of Social Security and Medicare taxes.

In Bulletin 5-92, we provided instructions for withholding income and Social Security/Medicare taxes and noted that withholding for 1992 payments should occur no later than the last payroll for calendar year 1992. It has recently come to our attention that some agencies did not withhold before the end of the year for employer-paid educational assistance (including amounts paid under the State's Upward Mobility Program) due to insufficient time or because they were unaware of their responsibility to do so. Whether paid directly by the agency or through the Upward Mobility Program, agencies are responsible for identifying taxable educational assistance (see Determining Taxability), withholding and reporting taxes, and paying the employer's share of Social Security/Medicare taxes.