



Roland W. Burris

Comptroller
State of Illinois

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

April 12, 1988

PAYROLL BULLETIN
(2-88)

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

SUBJECT: Employer Educational Assistance Policies

Effective January 1, 1988, where educational courses are taken by an employee to improve job skills in the employee's present position or to meet requirements for retaining the employee's current job, and the employer pays tuition costs to or on behalf of the employee for such courses, the reimbursements are considered ordinary business expenses not subject to employment taxes and thus not includible in the employee's gross income.

However, reimbursements for educational courses which do not meet the aforementioned guidelines are considered wages for tax purposes, subject to Federal and State income tax, FICA/Medicare, and retirement withholdings, and are to be included in the employee's gross income for the tax year in which the reimbursements are received.

PAYROLL PROCEDURES

If a State agency makes payment for educational expenses to or on behalf of an employee on or after January 1, 1988, for educational courses which do not meet the nontaxable criteria, this amount must be noted on the payroll voucher in column 54, Other Compensation Subject to Withholding. In addition, this amount must also be in magnetic tape positions 861 through 867. If the employee is also receiving vehicle usage income, the educational reimbursement must be added to that income.

Questions regarding this payroll bulletin should be referred to Dan Steven or Nancy Smith at (217) 782-4758.

Sincerely,

Larry D. Roth
Director - State Accounting