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PAYROLL BULLETIN
(3-93)

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

SUBJECT: Educational Assistance

With the veto of H.R.11 in 1992, the exclusion for employer-provided educational assistance expired on June 30, 1992, making educational expenses which did not otherwise qualify for tax exclusion taxable (see Payroll Bulletins 5-92 and 1-93). The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66), which was signed into law on August 10, 1993, extended the tax exclusion for up to \$5,250 of employer-provided educational assistance retroactively from June 30, 1992 through December 31, 1994.

Excludable educational assistance includes payments for tuition, fees, books, supplies, and equipment. It does not include payment for meals, lodging, transportation, and tools or supplies (other than textbooks) that the employee can keep after completing the course of instruction.

Payroll Procedures - Calendar Year 1993

Agencies which are reporting all educational assistance paid in calendar year 1993 should stop immediately. Only educational assistance exceeding \$5,250 per year which does not qualify as a working condition fringe benefit under Internal Revenue Code (IRC) Section 132(d) or a qualified tuition reduction program under IRC Section 117 should continue to be reported.

To reverse any educational assistance taxed in calendar year 1993, enter a negative amount equal to the lesser of the amount taxed in calendar year 1993 or \$5,250 in the "Other Compensation Subject to Withholding" fields on the payroll voucher and magnetic tape. However, the negative amount cannot exceed the taxable gross pay for the pay period. If the amount of the educational assistance taxed exceeds the taxable gross pay for the pay period, please spread the negative amount over two or more pay periods. This negative entry will reduce the employee's gross income for calculating taxes and, where applicable, retirement. This reversal must be completed by the last payroll for calendar year 1993. For employees who were taxed for educational assistance in 1993 and have terminated, you must notify the Comptroller's office giving the employee's name, Social Security number, last known address, the amount of educational assistance taxed and the year taxed. This should be done as soon as possible. Please send the information to Dan Steven, Office of the Comptroller, 325 West Adams Street, Springfield, Illinois 62706.

Calendar Year 1992

The Comptroller's office will issue Form W-2C, Statement of Corrected Income and Tax Amounts, and a refund of 1992 Social Security and Medicare taxes to those employees who were taxed in 1992. We can identify many of these employees because you reported them to us in January and February of 1993 on Form SCO-050 pursuant to Payroll Bulletin 1-93. If you have employees who were taxed for educational assistance through the payroll voucher in 1992 and were not reported on the SCO-050, please furnish us their names, Social Security numbers, amount of educational assistance taxed, the year taxed and, if terminated, the employee's last known address. Please send this information to Dan Steven, Office of the Comptroller, 325 West Adams Street, Springfield, Illinois 62706.

When the W-2C forms and refunds are mailed to the employees, we will also enclose IRS Form 1040X, Amended U.S. Individual Income Tax Return, IL-1040-X, Amended Individual Income Tax Return, and instructions. Employees must file these forms to receive Federal and State income tax refunds.

Our office is working to send these refunds and forms to the employees as quickly as possible. Please ask your employees not to contact this office inquiring about their refund as this will only delay our processing.

This Payroll Bulletin may be reproduced for internal distribution.

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