



Roland W. Burris

Comptroller
State of Illinois

November 28, 1988

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

PAYROLL BULLETIN
(4-88)

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

SUBJECT: Employer Provided Educational Assistance

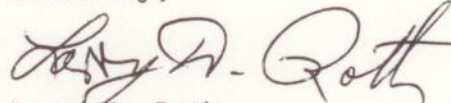
On November 10, 1988, the Technical and Miscellaneous Revenue Act of 1988 was signed into law. Of particular significance to all State agencies is the extension of the exclusion for employer provided educational assistance through December, 1988. This means certain employer reimbursement for educational courses, even if they are not job related, are excludible from gross income. The instructions given in Payroll Bulletin 2-88, dated April 12, 1988, do not now apply with regard to certain nonjob-related educational reimbursement. However, this exclusion still does not apply to any payment for, or the provision of any benefits with respect to, any graduate level courses of a kind normally taken by individuals pursuing a program leading to a law, business, medical, or similar advanced academic or professional degree. In this context, the phrase "graduate level course" means a course taken by an individual who (1) has received a bachelor's degree (or the equivalent thereof), or (2) is receiving credit toward a more advanced degree. However, this graduate education rule will not affect an employee's ability to exclude from income employer provided job-related educational assistance.

Agencies which have already reported nonjob-related educational reimbursement on the payroll voucher in the "Other Compensation Subject to Withholding Field" are urged to quickly identify these employees and the amounts that were included in gross income. When this has been determined, a negative amount should be entered in this field on the hard copy voucher and magnetic tape to subtract the educational assistance previously reported. This will reduce the gross income for calculating federal and state income taxes and, where applicable, FICA/Medicare and retirement. It is important that this procedure be completed no later than the last payroll for calendar year 1988, which is generally the December 1-15, 1988 pay period. This will minimize the number of refunds and corrected forms W-2 that will have to be issued.

Agencies which have previously reported undergraduate nonjob-related reimbursements for terminated employees should notify the Comptroller's Office of these individuals, the amount of the reimbursement and their current address if known. Where applicable, the appropriate retirement systems should also be notified. The notices to the Comptroller's Office should be sent to the attention of Dan Steven, Office of the Comptroller, 325 West Adams Street, Springfield, IL 62706.

Questions regarding the Payroll Bulletin should be referred to Dan Steven or Nancy Smith at (217) 782-4758.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry D. Roth".

Larry D. Roth
Director - State Accounting