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EMPLOYEE EDUCATIONAL EXPENSE REIMBURSEMENT

INTRODUCTION

In addition to establishing uniform accounting standards and policies, it is a goal of this committee to provide general information and other guidance to assist fiscal officers and other state employees relating to good practices or processes, or needed information that may not be readily available within the state. The purpose of this section of the Fiscal Policies Manual is to provide some general guidance and direction to other sources that may be helpful.

If there are other guidelines you would like to see included, please send them to the State Controller's Office, Division of Statewide Accounting, Fiscal Policies Advisory Committee, or contact Chris Stratton (cstratton@sco.idaho.gov) or David Fulkerson (dfulkerson@dfm.idaho.gov).

EMPLOYEE EDUCATIONAL EXPENSE REIMBURSEMENT

Each agency is responsible for establishing policies and procedures related to the payment of educational expenses, if the agency determines such policies and procedures are in its interest. You may contact other state agencies for examples of such policies. When developing your policy, it is recommended you consider the following:

- IRS Rules and Regulations, taxability of the payment. (See IRS publication 970, Publication 15-B.
- Payback provision.
- Agreed service commitment.
- How the additional education for the employee will benefit your agency.
- If the employee must pay the costs, then request reimbursement or the agency will pay in advance, or a combination of the two.
- What portion will be reimbursed?
- Will ancillary costs be reimbursed (e.g. books, parking fees, lodging, per diem, etc.)? If so, does the agency retain ownership?

Fiscal Activities Guidelines are intended to provide best practices or processes and to provide other sources of information that may be helpful. They are not intended to be Fiscal Policy.

- Is successful completion required for payment? If so, define what 'successful completion' is. What documentation supports successful completion?
- What supporting documentation is required for payment?
- Is there a maximum to be paid within a period of time or for an employee?
- Eligibility.
- Areas of study that qualify.
- Acceptable schools and courses.
- Leaves of absence for educational purposes.
- Use of state time and resources for the class and homework.
- Application or approval procedure.
- When benefits end.
- Is the policy creating a granted right to employees that will cause a financial hardship to the agency?
- Funding availability at the time of request.
- Does the policy include conferences, seminars or similar programs?
- Are graduate or postgraduate studies covered?
- Include a letter of agreement signed by the employee.
- What if other financial assistance is available to the employee?

It has been determined that all educational assistance costs being reimbursed to state employees are taxable unless the reimbursement meets the "Working Condition Benefit" definition described in [IRS publication 15-B, Employer's Guide to Fringe Benefits](#), which states:

Certain job-related education you provide to an employee may qualify for exclusion as a working condition benefit. To qualify, the education must meet the same requirements that would apply for determining whether the employee could deduct the expenses had the employee paid the expenses. The education must meet at least one of the following tests.

- The education is required by the employer or by law for the employee to keep his or her present salary, status, or job. The required education must serve a bona fide business purpose of the employer.
- The education maintains or improves skills needed in the job.

However, even if the education meets one or both of the above tests, it is not qualifying education if it:

- Is needed to meet the minimum educational requirements of the employee's present trade or business, or
- Is part of a program of study that will qualify the employee for a new trade or business.

In order to comply with the IRS regulations regarding 'taxable' educational expenses, a new payroll earnings code 'TTR - Taxable Tuition' and STARS subobject code '5073' was created to allow agencies to reimburse their employees for educational assistance via payroll processing.

NOTE: To ensure accurate taxing of all '**taxable educational assistance reimbursements**', they must be made through the payroll system and cannot be entered directly into STARS.

Once the 'TTR' earnings and lump sum amount is processed through payroll, a payment will be made to the employee (less applicable taxes and deductions) and then payroll will automatically forward the appropriate amount and coding via payroll labor distribution files to STARS for posting to the new expenditure sub-object code 5073 with the regular payroll transaction code of 326.

No changes have been made to the processing of all '**non taxable reimbursements**'. They should continue to be coded with sub-object 5070 and processed directly through STARS. This includes registration for Conferences and Seminars.

If you have questions or need help determining if an educational expense meets the working condition benefit definition or not, please review the IRS publications and guidelines or contact the IRS. If you have questions about how to process a reimbursement for educational expenses, please call Leslie Mickelsen at 208-334-2394.