

CHAPTER: PAYROLL		NUMBER: 6.6	REFERENCE: OAM 50.10.00 PO – Educational Assistance Payments; OAM 50.10.00 PR – Educational Assistance Payments; ODOT Policy PER 14-04-01 – Workforce Development; HR Handbook Chapter 5 Section 7 – Educational Leave; FASM 1.0 – Management’s Responsibilities; FASM 3.1 – Payment of Vendor Invoices; FASM Chapter 7.1 –General Travel Rules and Expense Claim Processing	
EFFECTIVE DATE: November 23, 2015	SUPERSEDES: August 26, 2013	REVIEW DATE: August 2017	PAGE NUMBER: Page 1 of 7	
SUBJECT EDUCATIONAL ASSISTANCE PAYMENTS		APPROVED SIGNATURE /s/ Tracy Wroblewski, Chief Financial Officer		

PURPOSE:

To provide the policy on reimbursement and payment for education and training expenses which include taxability issues.

STANDARD:

Workforce Development

The Department has a qualified and equitable educational assistance program. The Department policy on Workforce Development (PER 14-04-01) requires managers/supervisors, in collaboration with their employees, to develop a written development plan for each employee that provides for the continuous improvement of the employee’s job-related knowledge. The written development plan may require the employee to attend certain training classes. The development plan may also outline optional participation in other educational programs. Participation in optional education programs may be approved taking into account operating requirements, priorities and budget availability.

Required Education or Training

If an employee is required by his/her manager or supervisor to participate in a specific training course or educational program, it is the Department’s policy to pay or reimburse all of the associated costs (e.g., registration fees, course materials and necessary travel). Refresher workshops and job-related conferences and seminars that are properly documented and approved by the employee’s manager/supervisor will be considered required training for purposes of this financial standard.

Requests to Receive Educational Assistance for Optional Training and Education

If an employee requests reimbursement to attend a college, community college, vocational or graduate level courses, the Department, at its discretion, may provide educational assistance. Employees must submit their requests to their manager/supervisor using the [Educational Assistance Request](#) form (731-0186). These requests must be submitted and approved prior to the employee registering for classes.

Managers/supervisors and employees are cautioned that the pursuit of an undergraduate or graduate degree, by itself, does not mean that all course work qualifies as education/training directly related to the employee's job. Education involving sports, games or hobbies may not be reimbursed unless it has a reasonable relationship to the business of the employer. However, individual classes required by the degree program that improve or maintain the employee's skills in the present job or prepare the employee for progression can be treated as job related.

The Department follows a cost-sharing approach where the employee pays for one-third of the total cost for the completion of college courses and obtaining professional certifications and licenses and the Department pays for two-thirds of the total cost.

Once the immediate manager/supervisor has approved the request for educational assistance, reimbursement of the training costs will occur after the employee has successfully completed the course of instruction. Acceptable documentation is outlined in the following matrix.

College courses:	If graded, a grade of "C" or above Courses taken with a pass/fail option, must receive a "P"
College courses:	If not graded, a certificate of completion or attendance
Training conferences/seminars:	Certificate of completion or attendance

Payment Guidelines

If payments for college tuition and course/class/conference registrations are required in advance, these payments will be processed as outlined in Financial Standard 3.1 – Payment of Vendor Invoices.

Reimbursement Claims for Optional Educational Expenses

After completing the optional education/training, the employee must attach proof of payment and successful completion of the course to the approved *Educational Assistance Request* form. The request form and supporting documents must be submitted to the Payroll Unit within three months following completion of the course, or reimbursement will be denied. All educational assistance payments will be made on a reimbursement basis through the Oregon State Payroll Application ([OSPA](#)).

Travel Expenses

Travel expenses for job-related education are treated the same as travel expenses for business purposes. For more information, refer to Financial Standard 7.1.

Education Leave

Guidelines for employees seeking an educational leave of absence may be found using the [Human Resources \(HR\) Handbook](#).

Taxability of Educational Reimbursements and Payments

Attachment A – Education Assistance Decision Table provides guidance to help determine if educational assistance is taxable income to the employee.

General Rule: Reimbursements made directly to the employee or paid on behalf of the employee for qualifying education expenses are treated as nontaxable and are not included in income. Reimbursements of nonqualifying expenses are subject to tax withholding and must be reported on the employee's Form W-2, unless such reimbursements meet the educational assistance exception under the Internal Revenue Code (IRC) Section 127 discussed below.

- **Required Education — Nontaxable:** Because of the Department's hiring practices, it is presumed in most cases that the minimum educational requirements of the job were met on the date the employee was hired. Therefore, any additional education/training required by the Department, or the law, to keep the employee's present salary, job or status is considered to be qualifying education that serves a bona fide governmental business purpose and, as such, is nontaxable. Should the Department later change the minimum requirements and require the employee to take additional courses to keep his/her job, the education will not be taxable to the employee because the employee has already satisfied the initial minimum requirements. Required education is deemed to include refresher workshops and conferences/seminars on current developments related to an employee's job.

For tax purposes, education needed to meet the initial minimum educational requirements of the employee's present job is considered nonqualifying education. Reimbursement of nonqualifying education expenses is taxable to the employee. However, see the discussion below under "Exception to General Rule."

- **Optional Education — Nontaxable:** Optional college and vocational education/training that is directly related to the job (because it maintains and/or improves skills required in the employee's present position or prepares the employee for job progression) is considered qualifying education and is not taxable to the employee. This is true even if the education could lead to a degree. Education during a temporary leave is considered related to the present job as long as the period the employee is away from work is for one year or less.
- **Optional Education — Taxable:** Optional college and vocational education/training that is not directly related to the employee's present job is considered nonqualifying education and is taxable to the employee. Examples include the following:
 - A college course that the employee's manager has approved for funding, the course content is not job-related or does not maintain or improve skills needed in the employee's present job, or
 - A college course that is part of a program that can qualify the employee in a new occupation or profession, such as a law school class taken by a full-time engineer.
 - Courses needed to meet the minimum educational requirements of an employee's current job, if the employee did not possess those minimum educational requirements when hired.

Review the discussion below under "Exception to General Rule."

- **Part-time Students and Internships — Taxable:** Education/training that prepares a part-time student or intern to apply for a full-time, permanent position upon graduation is taxable to the employee because the employee has not met the minimum job requirements of the full-time position. This is true even though the courses improve the student's skills in the present part-time position or temporary internship. However, see the discussion below under "Exception to General Rule."

Exception to General Rule: Under the special provisions of IRC Section 127, payments of educational expenses that otherwise would be treated as taxable reimbursements under the general rule above, may be excludable from income. To qualify as a tax-free benefit, the educational assistance must be for undergraduate level courses and used to pay for tuition, fees and similar expenses. The payments do not have to be for work-related courses.

All textbooks, reference books and training materials paid for by ODOT are the property of the Department and do not belong to the employee following the completion of training.

Reimbursements or payments for the following items are acceptable; however, they do not qualify as tax-free education:

- Meals, lodging, transportation or tools and supplies that the employee can keep after completing course of instruction.
- Education involving sports, games or hobbies unless the education has a reasonable relationship to the business of the employer.
- Graduate-level courses that are normally taken under a program leading to a law, business, medical, or other advanced academic or professional degree.

Tax-Free Benefits Capped at \$5,250: If the Department pays for more than \$5,250 of educational assistance benefits during the calendar year, the amount over \$5,250 is subject to withholding and must be included in wages reported on the employee's Form W-2.

PROCEDURE:

RESPONSIBILITY	STEP	ACTION
Manager/Supervisor	1	Specify whether the training is required or optional.
	2	<ul style="list-style-type: none"> a. Authorize payment of the costs associated with education/training required by law, mandated by, or authorized by the Department. b. To "prepay" registration fees, refer to the guidelines at Financial Standard 3.1 – Payment of Vendor Invoices. c. Required education/training is deemed to include refresher workshops and job-related conferences/seminars that are properly documented and approved by the employee's manager.
Employee	3	<ul style="list-style-type: none"> a. Complete the <i>Educational Assistance Request</i> form. b. Completion and approval of this form is required before registering for classes. c. Submit form to immediate manager/supervisor for approval. d. Optional education includes college, junior college, vocational and graduate level courses that may or may not be job related.

RESPONSIBILITY	STEP	ACTION
Manager/Supervisor	4	<ul style="list-style-type: none"> a. Evaluate and approve or deny the Educational Assistance Request. b. If approved, indicate percent of total cost the Department will reimburse next to "Approved" box. c. Verify employee's answers to tax questions on page two of form. d. Return the form to the employee.
Employee	5	<ul style="list-style-type: none"> a. After completion of education/training, attach all necessary receipts and proof of successful completion of course to the approved Educational Assistance Request. b. Forward to appropriate manager for payment authorization.
Manager/Supervisor Authorizing Reimbursement	6	<ul style="list-style-type: none"> a. Review the Educational Assistance Request and supporting documents to ensure that expenses claimed for reimbursement match the course and amount approved by manager/supervisor. b. Authorize for payment and forward the Educational Assistance Request form to the Payroll Unit.
Payroll Unit	7	<ul style="list-style-type: none"> a. Review the Educational Assistance Request for completeness, accuracy and compliance with the applicable financial standards. b. Determine taxability of expenses by evaluating answers to tax questions on page two of the Educational Assistance Request form and code appropriately for payroll purposes.

General Rule: If the answer to any one of the tax questions in this section is YES, payment of the education expenses is taxable to the employee and must be reported on the employee's Form W-2, unless the expenses qualify as tax-free benefits under IRC section 127.

IRC Section 127: If the answers to questions 4 through 7 in the Educational Assistance Questionnaire are YES, the educational assistance meets the requirements of IRC Section 127 and is nontaxable to the employee (even if the payments would be taxable under the General Rule). If any one of the questions under this section is answered NO and the assistance is also taxable under the General Rule above, payment of the educational expenses is taxable to the employee and must be included on the employee's Form W-2.

Consult with Chief Financial Officer or Payroll, Payments, Admin and Imaging Manager concerning questionable items. Input into the Oregon State Payroll Application (OSPA).

RESPONSIBILITY	STEP	ACTION
	8	a. Process the nontaxable portion of the approved educational assistance per desk procedures. b. Process the taxable portion of the approved educational assistance per desk procedures.
	9	Maintain a record of the approved educational assistance payments in either the employee payroll file or in a separate file established for such purpose per existing retention schedules (taxable and nontaxable).

