

MINNESOTA STATE COLLEGES AND UNIVERSITIES
January 2005
Notice
of
Employer-Provided Educational Assistance

The Minnesota State Colleges & Universities System has a written educational assistance plan to meet the requirements of Internal Revenue Code Section 127. The purpose of the plan is to exempt certain educational assistance benefits from taxation; the plan covers benefits provided under System personnel plans and bargaining agreements. Under federal and state law, the first \$5,250 of tuition assistance used by the employee under the plan is not subject to income taxation. Separate rules apply to spouses and dependents (see below).

Review your applicable employee bargaining agreement/personnel plan for details regarding educational benefits. Please contact your campus Human Resources Office with any questions.

Employee Income Tax Consequences

If you are an employee of Minnesota State Colleges & Universities and you take undergraduate level courses via tuition waiver, you are not subject to taxation on any benefits received (i.e., there is not a dollar limitation for tax purposes under Internal Revenue Code Section 117). However, if you receive tuition reimbursement (not tuition waiver) for undergraduate level courses, you will be subject to taxation on tuition in excess of \$5,250 in a calendar year. You will also be subject to taxation on graduate level tuition waiver and/or reimbursements received in excess of \$5,250 in a calendar year.

Special rules for spouse/dependent(s): Tuition waivers for undergraduate level courses taken by spouses or dependents are not subject to taxation. All graduate level tuition waiver benefits used by a spouse or dependent are subject to taxation.

All taxation will be in accordance with federal and state law.

Quick Reference Table

Person receiving benefits	Course Level	Benefit Type	Tax Consequences
Employee	Undergraduate	Tuition Waiver	Non-Taxable
Employee	Undergraduate	Tuition Reimbursement	Amount in Excess of \$5,250 is taxable
Employee	Graduate	Tuition Waiver	Amount in Excess of \$5,250 is taxable
Employee	Graduate	Tuition Reimbursement	Amount in Excess of \$5,250 is taxable
Spouse or Dependent	Undergraduate	Tuition Waiver	Non-Taxable
Spouse or Dependent	Graduate	Tuition Waiver	Subject to taxation.

This summary is provided for the convenience of employees; employees should discuss any questions regarding personal income tax issues with their tax advisor or preparer. Additional information regarding educational assistance plans in general is available from the IRS at: <http://www.irs.gov/publications/p970/ch11.html>. A copy of the educational assistance plan for the Minnesota State Colleges and Universities is on the Human Resources Division web site at: <http://www.hr.mnscu.edu> under “Quick Links”.

Minnesota State Colleges and Universities
Educational Assistance Plan
December, 2004

The purpose of this Educational Assistance Plan is to provide educational assistance to Eligible Employees of Minnesota State Colleges and Universities (the "Employer"), including Eligible Employees of its colleges, its universities and the office of its chancellor. Section 127 of the Internal Revenue Code of 1986, as amended (the "Code"), provides, in general, that gross income of an employee does not include the first \$5,250 of amounts paid or expenses incurred by his or her employer during a calendar year, for educational assistance furnished to the employee pursuant to a qualified written educational assistance plan. This Plan, including its component Education Benefit Programs, is intended to be such a plan; and is intended to more completely document the Plan as it has been in effect since January 1, 2002, when Code Section 127 was amended and made effective until the end of the year 2010.

A. Definitions.

For purposes of this Plan, the following terms have the meaning given below:

- 1. Education.** "Education" means any form of instruction or training that improves or develops the capabilities of an individual, but does not include education or training in sports, games or hobbies unless required as part of a degree program or directly related to the employee's work responsibilities for the Employer. "Education" is not limited to courses that are job-related or part of a degree program.
- 2. Educational assistance.** "Educational assistance" means:
 - (a) the payment of expenses incurred by or on behalf of an Eligible Employee for education of the Eligible Employee, including, but not limited to, tuition, fees and similar payments, as well as related books, supplies and equipment); and
 - (b) the Employer's provision of courses of instruction for education of an Eligible Employee (including related books, supplies, and equipment).

However, "educational assistance" does not include payment for, or the provision of, either (a) tools or supplies that may be retained by the Eligible Employee after completion of a course of instruction; or (b) meals, lodging or transportation.

- 3. Education Benefit Program.** "Education Benefit Program" means the detailed terms, conditions and procedures related to educational assistance benefits set forth in the Employer's written personnel plan or collective bargaining agreement applicable to a particular class of Eligible Employees. A copy of each of the Education Benefit Programs, as amended from time to time, shall be attached hereto as an Exhibit and is hereby incorporated into this Plan. Neither this Plan nor any Education Benefit Program includes any scholarship or tuition reduction benefits intended to qualify under Code Section 117. This Plan includes an Education Benefit Program for each of the Employer's written personnel plans and collective bargaining agreements providing for educational assistance permitted under this Plan.

4. Eligible Employee. “Eligible Employee” includes, for any calendar year, any employee (as defined by Minnesota Statutes Ch. 43A) who is currently (or was formerly) employed by the Employer and is eligible during that year for an Education Benefit Program under the Employer’s written personnel plan or collective bargaining agreement applicable to that employee.

B. Educational Assistance Benefits. The benefits provided under this Plan consist solely of the educational assistance described in the Education Benefit Programs for classes of Eligible Employees described in such programs. Education paid for or provided under this Plan may be furnished directly by Minnesota State Colleges and Universities, either alone or in conjunction with other employers, or through a third party such as another educational institution. No Education Benefit Program shall allow any Eligible Employee a choice between educational assistance and other remuneration. Except as specifically provided in this Plan document, this Plan does not limit or expand the level of education and training benefits available to an Eligible Employee under any Education Benefit Program that applies to the Eligible Employee.

C. Exclusive Benefit. The Plan will provide educational assistance for the exclusive benefit of Eligible Employees. Spouses and dependents of an Eligible Employee do not qualify to participate in this Plan, but may be eligible for tuition reduction benefits under a separate program included in the personnel plan or collective bargaining agreement applicable to the Eligible Employee.

D. Eligibility. This Plan is intended to benefit the Employer’s employees in general; and shall not discriminate in favor of officers or highly compensated employees of the Employer. This Plan will not be considered discriminatory merely because any educational assistance that is available under the Plan to a non-discriminatory class of Eligible Employees is utilized to a greater degree by officers or highly compensated employees included in that class; or because any Education Benefit Programs are provided solely to Eligible Employees under a collective bargaining agreement of the Employer. Otherwise, the classification of Eligible Employees for any Education Benefit Program must comply with the non-discrimination standards of Code Section 410(b)(1)(B), without regard to the exceptions in Code Section 401(a)(5).

An Eligible Employee seeking educational assistance under this Plan must comply with all applicable rules and procedures, including but not limited to eligibility rules and approval and reimbursement procedures, as set forth in the applicable Education Benefit Program or other applicable policies and procedures of the Employer.

E. Notification of Eligible Employees. The Employer shall provide each Eligible Employee with reasonable notice of the terms and availability of this Plan and the Education Benefit Program applicable to such Eligible Employee, in the following manner. This Plan and each of its Education Benefit Programs shall be made available for review by Eligible Employees on the Minnesota State Colleges and Universities’ Human Resources Web site. The Employer shall also provide each Eligible Employee with a copy of the applicable collective bargaining agreement or personnel plan containing that Education Benefit Program, either in paper form or, in the case of Eligible Employees who use internet-capable computers in their routine duties for the Employer, through access to such documents on the Minnesota State Colleges and Universities’ Human Resources Web sites. An Eligible Employee shall be entitled upon written request to a paper copy of this Plan document and each Education Benefit Program applicable to such Eligible Employee.

F. Funding. The Employer shall contribute, subject to the availability of funds under Minnesota law, the amount required to pay educational assistance benefits under this Plan out of the general assets of the Employer at the time such benefits are to be paid. There shall be no special fund out of which Plan benefits shall be paid, nor shall Eligible Employees be required to make any contribution as a condition of receiving Benefits provided under an Education Benefit Program.

G. Tax consequences.

1. To the extent that any Eligible Employee receives from the Employer under this Plan any educational assistance benefits that exceed \$5,250 in a calendar year, such excess benefits shall be subject to federal income tax and payroll tax withholding in accordance with federal and state law.

2. An Eligible Employee shall be responsible for any income tax liability arising from his or her receipt of educational assistance benefits under this Plan, whether or not the Employer withheld tax on those benefits.

H. Miscellaneous.

1. Except as may be limited by statute or a collective bargaining agreement that includes an Education Benefit Program, Minnesota State Colleges and Universities reserves the right, by action of its Chancellor (or the Chancellor's authorized designee), to amend or terminate the Plan or any Education Benefit Program at any time.

2. This Plan shall not be deemed to constitute a contract between the Employer and any Eligible Employee. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Eligible Employee at any time, regardless of any effect that such discharge shall have upon him or her as a participant of this Plan.

3. This Plan shall be construed and enforced according to the laws of the State of Minnesota, other than its laws respecting choice of law, to the extent not preempted by any federal law.