



Office Memorandum

Date: April 18, 2014

To: Agency Payroll, HR and Accounting Staff

From: Mary Muellner, Director
Statewide Payroll Services

Subject: Taxability of Tuition Reimbursements – MN Returns to Conformity With IRS

On March 21, 2014, Minnesota legislation was enacted that affects the taxability of employer-paid educational assistance. We issued a memo in October 2013 indicating tuition reimbursements would be taxed *differently* by Minnesota and the federal government – and that is no longer the case. The new legislation brings Minnesota back into conformity with federal law passed in January 2013.

Minnesota Legislation Change

The new Minnesota legislation follows the federal withholding guidelines, retroactively effective 1/1/2013. The issue of whether the reimbursement was job related (i.e. it maintained or improved skills needed for an employee's current job) is no longer a factor. Both federal and state withholding will depend solely on the amount of the reimbursement.

Employer provided educational assistance	
\$5,250 or less	Non-taxable for Federal and State
Over \$5,250	Taxable for Federal and State

Resources

- [IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits](#)
- [Minnesota Department of Revenue – Tax Law Changes – Withholding Tax on Employer Provided Benefits](#)

Tuition Reimbursements paid from this point forward

Agency staff will still need to use report FIHR6680, but will no longer use the EDQ earn code. The Agency Payroll (or Accounting) Unit section of the Employee Reimbursement Tuition Procedure in SEMA4 Help will be updated as shown below.

Procedure: Agency Payroll (or Accounting) Unit

1. Ensure that all required documentation and itemized receipts have been submitted.
2. Do not approve expenses that do not comply.
3. Determine the taxability of the reimbursement by reviewing Minnesota Management & Budget's Tuition Reimbursement Policy. If a taxable reimbursement exists you must add a taxable value in mass time entry using earn code EDP (for federal and state taxes) during the same pay period the Tuition Reimbursement is being processed in SEMA4 Business Expense.

4. Biweekly, print the [FIHR6680, Employee Tuition Reimbursement report \(DocumentDirect/InfoPac ID HP6680\)](#) that lists all employees in a department that have had TRG (Training/Tuition) payment, or have had EDP (Tuition Waiver - Txbl Fed + State) entered in the current calendar year. Review this report to confirm that your employees receiving tuition/training reimbursements have been taxed appropriately based on the guidelines set forth by the Internal Revenue Service and the Minnesota Department of Revenue. Agencies are responsible for determining if educational assistance benefits are taxable.

Earn Codes

The following earn codes continue to be used for tuition reimbursement:

- TRG: Training and Tuition – This earn code is used to reimburse employees for tuition through Business Expenses.
- EDP: Tuition Waiver – Txbl Fed + State, Earn code entered in Mass Time Entry (MTE). This code does not pay; but increases an employee's federal and state tax liability.

NOTE: The earn code, EDQ, Tuitions Waiver – Txbl MN Only, is **no longer used**.

Report FIHR6680

Agency staff will continue to use the [FIHR6680, Employee Tuition Reimbursement report \(DocumentDirect/InfoPac HP6680\)](#) which runs bi-weekly and is available for review each Monday of off-week. Currently, the report lists TRG, EDP and EDQ amounts. In the future EDQ will not display, as it is no longer used.

Agency staff with access to HP2062 Payroll Register (DocumentDirect/InfoPac) will have access to this report. Agency staff requiring access should contact infopac.finance@state.mn.us to receive access.

Adjustments for Calendar Year 2013

Agency staff SHOULD NOT make prior adjustments. Minnesota Revenue will make the adjustments for calendar year 2013:

- For those filing taxes prior to April 2, the Department of Revenue will go back and make the adjustment/refund.
- Those filing on or after April 2 had the benefit of the new law already in place and should have filed appropriately.
- IN ALL CASES: If the Department of Revenue is unable to determine if the tuition reimbursement change impacted a filing, they will contact the taxpayer.

Adjustments for Calendar Year 2014

Agency staff SHOULD NOT make prior adjustments. Calendar year 2014 Adjustments have already been made by Statewide Payroll Services, adjusting employees' taxable gross.

Help

Minnesota Management & Budget Operating Policy and Procedure PAY0021 [Employee Business/Travel Expenses Operating Policy and Procedure](#) will be updated in SEMA4 Help to reflect these changes. Please retain this information for reference until SEMA4 Help is updated.

Agency Payroll, HR and Accounting staff should contact Erin Gregory at 651.201.8077 or erin.gregory@state.mn.us if there are questions.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF