MANAGEMENT AND BUDGET

Memo

Date: November 14, 2025

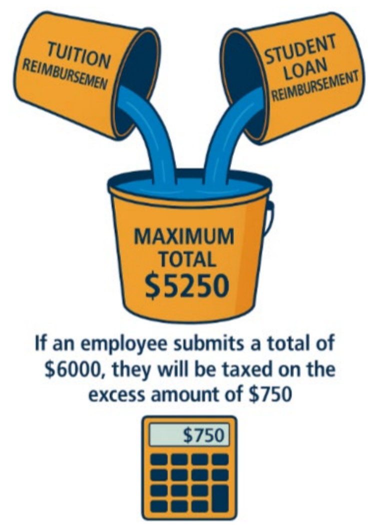
To: Agency Payroll, Human Resources, and Accounting Staff

From: Katie Karow, Director, Statewide Payroll Services

RE: Calendar Year-End Tuition Reimbursement Reminders

Agencies that have reimbursed an employee for more than $5,250 of qualifying educational benefits in calendar year 2025 must include the amount over $5,250 as taxable wages unless it qualifies as a working condition benefit. Agencies must follow these steps for Employee Tuition Reimbursement.

The maximum combined limit for non-taxable student loan and tuition reimbursements cannot exceed $5,250 in a calendar year. For example, if an employee received $3,000 in tuition reimbursement and $3,000 in student loan reimbursement, then $5,250 would be excluded from federal income tax, and the excess amount of $750 would become taxable wages.



NOTE: Under the *Federal Reconciliation Bill (H.R. 1)*, the non-taxable treatment of employer-provided student loan reimbursements has been made permanent.

Agency Responsibilities When Employee Tuition or Non-Taxable Student Loan Reimbursement Exceeds $5,250 in a Calendar Year

It is the responsibility of each agency to determine the taxability of employee tuition reimbursement by reviewing the Employee Tuition Reimbursement Report. If a taxable reimbursement exists, the agency must add a taxable value in SEMA4 Mass Time Entry using earnings code **EDP** for federal and state taxes liability component during the same pay period the Tuition Reimbursement is being processed in SEMA4 Business Expenses. If the timing for this process is missed, the agency must enter the transaction in the following pay period to collect the required taxes. This calendar year, the total amount over $5,250 must be collected in full by Pay Period Ending 12/02/2025 so that the employee’s 2025 W-2 Form will be accurate.

Earnings codes used in Business Expenses and SEMA4 Mass Time Entry

- **TRG - Training and Tuition**, this earnings code is used to reimburse employees for tuition in SEMA4 Employee Business Expenses.
- **SLN - Non-taxable Student Loan Reimbursements**, this earnings code is used for employees participating in the program which excludes student loan reimbursements from taxable income.
- **EDP - Tuition Waiver**, this is a non-paid earnings code that will increase an employee's federal and state tax liability in SEMA4.

Available Report

FIHR6680 (Standard Report Viewer/InfoPac ID HP6680), Employee Tuition Reimbursement Report

This report lists employees that have had a business expense reimbursement paid using the earnings code **TRG**, non-taxable student loan reimbursements paid using earnings code **SLN**, and/or any taxable tuition value entries made in Mass Time Entry using earnings code **EDP.**

Agencies must review this report biweekly to identify and monitor tuition and student loan reimbursements to ensure amounts that exceed the non-taxable limit of $5,250 are taxed appropriately for federal and state income taxes depending on their job-relatedness and the total amount of reimbursement occurring in the calendar year. Any amount exceeding $5,250 in a calendar year must be added as taxable income using the earning code EDP as outlined in the previous section.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF