

<b>Policy Name: Educational Benefit Policy</b>		
<b>Effective Date:</b> 07/01/2014	<b>Revision Date:</b> 09/01/2016	<b>Department/Area/Division:</b> BE/HR/FA
<b>Department/ Area Policy #:</b> 702.00	<b>Departmental Contact:</b> Hiron Stiell, Benefits Specialist	

**Purpose:**

The purpose of this policy is to provide information about and establish guidelines to administer the University's educational benefit policy.

**Policy Statement:**

It is the policy of The University of Alabama to offer an educational benefit to eligible employees and their eligible spouse and/or child(ren) who are enrolled at the University. In accordance with usual academic rules, admission to the University must first be obtained in order to receive educational benefits.

This educational benefit applies only to enrollment at The University of Alabama. The University does not have a reciprocity agreement with The University of Alabama at Birmingham or The University of Alabama in Huntsville.

The calculation of the benefit is based on a certain percentage of the tuition costs. This calculation does not include the cost of fees, e.g., course fees, college fees or charges associated with the auditing of a course.

**Policy:**

**Eligibility for Educational Benefits**

Upon employment, all regular (not temporary) full-time and part-time employees are eligible to receive the educational benefit if enrolled at The University of Alabama.

Spouses and unmarried children up to the age of 26 are eligible to receive the educational benefit after the employee has completed six (6) months of employment in an eligible class. Only one educational benefit per student will be awarded even if there is more than one eligible employee in their family unit.

University retirees with at least 10 years of UA service time and their spouse and children will maintain eligibility for this benefit if they were eligible on the last day of the retiree's employment. Benefits for spouses and dependents will cease at the retiree's death.

The educational benefit for spouses and dependents is not chargeable to Federal grants and must be provided from other University sources.

**Educational Benefit for Eligible Employees**

**Full-Time Employees**

The educational benefit provides eligible full-time employees an amount to assist with educational costs equal to 100% of the tuition costs for up to three (3) credit hours during the fall and spring

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semesters and up to six (6) credit hours during the summer terms at the standard on-campus, in-state tuition rate. All other hours taken will result in assistance at an amount equal to 50% of the tuition costs at the standard on-campus, in-state tuition rate. The applicable rate is based on the classification of the enrolled student, i.e., undergraduate, graduate, law or medical. Higher tuition rates for special enrollment programs do not entitle employees to amounts above the standard on-campus, in-state tuition rate.

### **Part-time Employees**

Eligible part-time employees will receive a prorated amount of educational assistance based upon their full-time equivalency (FTE). For example: an eligible part-time employee of .50 FTE would be eligible for an amount equal to 50% of the tuition costs for up to three (3) credit hours in the fall and spring semesters and for 50% for up to six (6) credit hours in the summer terms, and for 25% for all other credit hours at the standard on-campus, in-state tuition rate. The applicable rate is based on the classification of the enrolled student, i.e., undergraduate, graduate, law or medical. Higher tuition rates for special enrollment programs do not entitle employees to amounts above the standard on-campus, in-state tuition rate.

### **Educational Benefit for Spouse and Child(ren) of Eligible Employee**

After eligible employees have been employed six (6) continuous months, spouses and/or children may receive an amount to assist with educational costs equal to 50% of the tuition costs at the standard on-campus, in-state tuition rate for eligible courses. The applicable rate is based on the classification of the enrolled student, i.e., undergraduate, graduate, law or medical. Higher tuition rates for special enrollment programs do not entitle the eligible dependent to amounts above the standard on-campus, in-state tuition rate. If the sponsoring faculty or staff is a regular part-time employee this benefit is prorated based on their FTE.

### **Spousal/Child(ren) Verification**

Documentation to substantiate whether an individual is a spouse and/or child of the employee is required. Such documentation includes tax returns, birth certificates, marriage certificates, etc. If it is determined that the information provided has been intentionally falsified, the employee may forfeit the educational benefit and may be responsible for reimbursing the University for any amount paid in benefits. The employee should notify the UA HR Service Center immediately of any change in eligibility or tax status.

### **Full-Time and Part-Time Employment Status/ Termination**

The employee must be in an eligible employment status through the first day of classes for the dependent to receive an educational benefit for the fall semester, spring semester or summer terms (to be eligible for summer, the employee must be in an eligible status through the first day of the summer interim term). If it is later determined that the employee was not eligible, the educational benefit will be recalled and the appropriate charges will be billed to the student's account. Employees are responsible for notifying the HR Service Center of any information that would affect eligibility for the educational benefit.

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If the employee terminates employment with the University or an eligible dependent becomes ineligible during the course of the semester, the educational benefit will remain in effect for the remainder of that semester only. Dependent children must be unmarried and under age 26 on the first day of classes.

Only one educational benefit per student will be awarded even if there is more than one eligible employee in their family unit.

### Procedure

Eligible employees who wish to apply for an educational benefit for themselves or for their eligible dependents should complete and submit an educational benefit application to the HR Service Center at least one month prior to the beginning of the academic year. The academic year begins with the fall semester and ends with the summer terms. Instructions for completing the educational benefit application can be found at [www.hr.ua.edu](http://www.hr.ua.edu). Eligible employees, their spouse, and/or their child(ren) will receive the educational benefit as a credit applied to the enrolled student's account maintained by the Office of Student Account Services. The deadline to submit an application is consistent with the last day to add or drop a course per the academic calendar on the University registrar's website at <http://registrar.ua.edu/academiccalendar>. For applications submitted after the deadline, no benefits will be received for the current semester. The application will be processed, however, for the next eligible semester of the currently approved application period. No application will be approved for previous semesters.

The educational benefit will be granted, if eligibility criteria are met, regardless of any other source of funds, e.g. scholarships, federal financial aid, sponsored projects. These funds will also be credited to the student's account. Excess credit will be available for refund to the student.

For student financial aid purposes, the educational benefit is considered a financial resource that must be deducted from estimated financial need in accordance with Federal regulations. Contact the Student Financial Aid Office if additional information is needed.

### Taxation of Benefits:

Education benefits received by University employees and/or dependents may be taxable to the employee. IRS regulations consider anything of value provided to an employee by an employer to be a form of compensation; therefore, the educational benefit may have tax withholding implications.

See chart below.

<u>Course/Type</u>	<u>Employee</u>	<u>Spouse</u>	<u>Children</u>
Undergraduate	Non-taxable	Non-taxable	Non-taxable**
Graduate <IRS limit (\$5,250)	Non-taxable	Taxable***	Taxable***
Graduate >IRS limit (\$5,250)	Taxable*	Taxable***	Taxable***

\*An exception may apply in limited cases, if the education qualifies as a working condition fringe benefit as outlined by IRC §§ 132 and 162.

\*\*A Child that is NOT an IRS tax dependent is subject to taxation.

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\*\*\*An exception may apply in limited cases, if the student is a graduate teaching or researching assistant.

A graduate-level course may qualify for the tax exclusion, if it is taken for credit toward an undergraduate degree. On the contrary, an undergraduate-level course may be taxable, if it is taken for credit toward a graduate degree.

### **Working Condition Fringe Benefit (Employee only)**

Under Section 132(d) of the Internal Revenue Code (“IRC”), to qualify for the working condition fringe benefit exception, the educational benefit must:

- Be required by your employer or the law to keep your present salary, status, or job AND serve a bona fide business purpose for your employer; OR
- Maintain or improve skills needed for your current job.

Even if one of the above criteria has been met, the benefits may not be excluded from taxable income if such benefits are:

- Needed to meet the minimum educational requirements of your current trade or business; OR
- Part of a program of study that will qualify you for a new trade or business, even if you have no plans to enter that trade or business.

### **IRS Tax Dependent**

An IRS Tax Dependent is a biological, step, eligible foster, and/or adopted child of the employee. See IRC 152(f)(1). In addition to meeting the criteria outlined in the preceding sentence, the dependent must:

- **Be under 19** as of the **close of the calendar year** in which the taxable year of the taxpayer begins **OR** a student **under the age 24** as of the **close of such calendar year**,
- Reside with the taxpayer for more than half the taxable year,
- Not have filed a joint return with spouse (other than only for a claim of refund)), and
- Not have provided more than one-half of his/her own support.

### **Special Rule for Divorced Parents, etc.**

For purposes of the exclusion outlined under IRC 117(d), if a child receives over one-half of his/her support during the year from his/her parents--

- Who are divorced or legally separated under a decree of divorce or separate maintenance,
- Who are separated under a written separation agreement, or
- Who live apart at all times during the last six (6) months of the calendar year, and
- The child is in custody of one (1) or both of the parents for more than half of the calendar year, **then the child shall be treated as the dependent of both parents.** See IRC Sections 132(h)(2)(B) & 152(e).

**A child is required to be an IRS tax dependent to receive the exclusion from taxation.** For additional information on the IRS definition of tax dependent, refer to IRS Publication 501, which can be accessed at <https://www.irs.gov/publications/p501/index.html>

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**When Fringe Benefits Are Considered Paid and Subject to Withholding**

The benefit may be considered paid on one or more dates throughout the calendar year, even if the entire benefit is acquired at one time. The taxes will be reported for the same tax period in which the benefit is considered paid. See IRC Section 3501.

For those educational benefits which are taxable, Federal, State, and Social Security taxes will be withheld from the employee's payroll checks at the end of each semester in which the educational benefit was received. Taxes will be withheld over four (4) pay periods for bi-weekly paid employees and over two (2) pay periods for monthly-paid employees. Employees will be notified of these pay periods in advance. See ANN 85-113, 1985-31 IRB 31 and Treas. Reg. Section 31.3501(a)-1T.

**Class Attendance for Credit Courses during Working Hours**

In order for an employee to attend a class during working hours, prior approval by the appropriate administrative official must be given. Such approval is limited to three (3) work hours per week with the understanding that the time off does not interfere with the daily operation of the work unit. Time off to attend a class during working hours may be approved as comp time or annual leave or the time off may be made up.

**Release Time for Non-Credit Courses/Programs**

The Department of Human Resources offers specific training that affords opportunities for career development of employees. This training is normally conducted during regular working hours. If the supervisor approves attendance, employees are not required to make up the time.

Office of the Vice President of Financial Affairs and Treasurer:

Approved by: 

Date: 9/19/14