Employee Tuition Waiver Procedure
September 21, 2010

The value of employer provided assistance is excludible from an employee’s gross income if it is provided under a Section 127 employer-provided educational assistance plan, qualifies as Section 132 working condition fringe benefit, or qualifies as a Section 117(d) qualified tuition reduction.

§ 127 Employer-Provided Educational Assistance Programs (EPEAP’s).

Section 127 EPEAP’s are separate written plans for employers that provide educational assistance for the exclusive benefit of their employees. The programs must meet certain non-discrimination requirements.

- Educational assistance includes payments for, or the provision of any benefits with respect to, any graduate-level course of a kind normally taken by an individual pursuing a program leading to law, business, medical, or other advanced academic or professional degree.
- Section 127 does not apply to spouses, dependents, or domestic partners of employees.
- $5,250 is the maximum annual amount.
- Qualified educational assistance includes payments, waivers, and reimbursements for tuition, fees, and similar payments, books, supplies, and equipment. It does not include tools or supplies that the employee retains after completion of the course or the cost of meals, lodging, or transportation.
- Education can be provided at any educational organization with a regular faculty, curriculum, and student body.
- No employee will be given the choice to receive taxable compensation instead of educational assistance
- The EPEAP cannot discriminate with respect to participation in favor of highly compensated employees.

§ 117(d) Qualified Tuition Reductions

- Qualified Tuition Reductions are tuition waivers or reimbursements provided to employees of educational organizations, their spouses, or their dependent children for courses taken at an educational organization with a regular faculty, curriculum, and enrolled student body.
● Section 117(d) only applies to employees of educational organizations.

● This exclusion is only for education below the graduate level, unless the tuition reduction is for the education of graduate teaching assistants and research assistants. (University faculty and staff members engaged in teaching and research activities do not qualify as graduate teaching or research assistants.)

§ 132 Educational expenses that qualify as working condition fringe benefits.

● Gross income does not include any fringe benefit that qualifies as a working condition fringe. A “working condition fringe” means any property of services provided to an employee to the extent that, if the employees paid for the property or services, the payment would be allowable as a business expense deduction.

Educational expenses that would be allowable as business expense deductions

● Job-related courses taken by an employee (not spouse, dependent or domestic partner) are excluded from the employee’s gross income. This applies to graduate or undergraduate courses.

● Job-related defined: The course maintains or improves skills required by the employee in his job or meets the express requirements of New Mexico Tech imposed as a condition to the employee’s retention of salary, status, or employment.

Educational expenses that would not be allowable as business expense deductions

Educational expenses that are required of the employee in order to meet minimum educational requirements for qualification in the employees present employment or qualify the employee for a new trade or business. A change in duties is not a new trade or business if the new duties involve the same general work as in the employee’s present job.