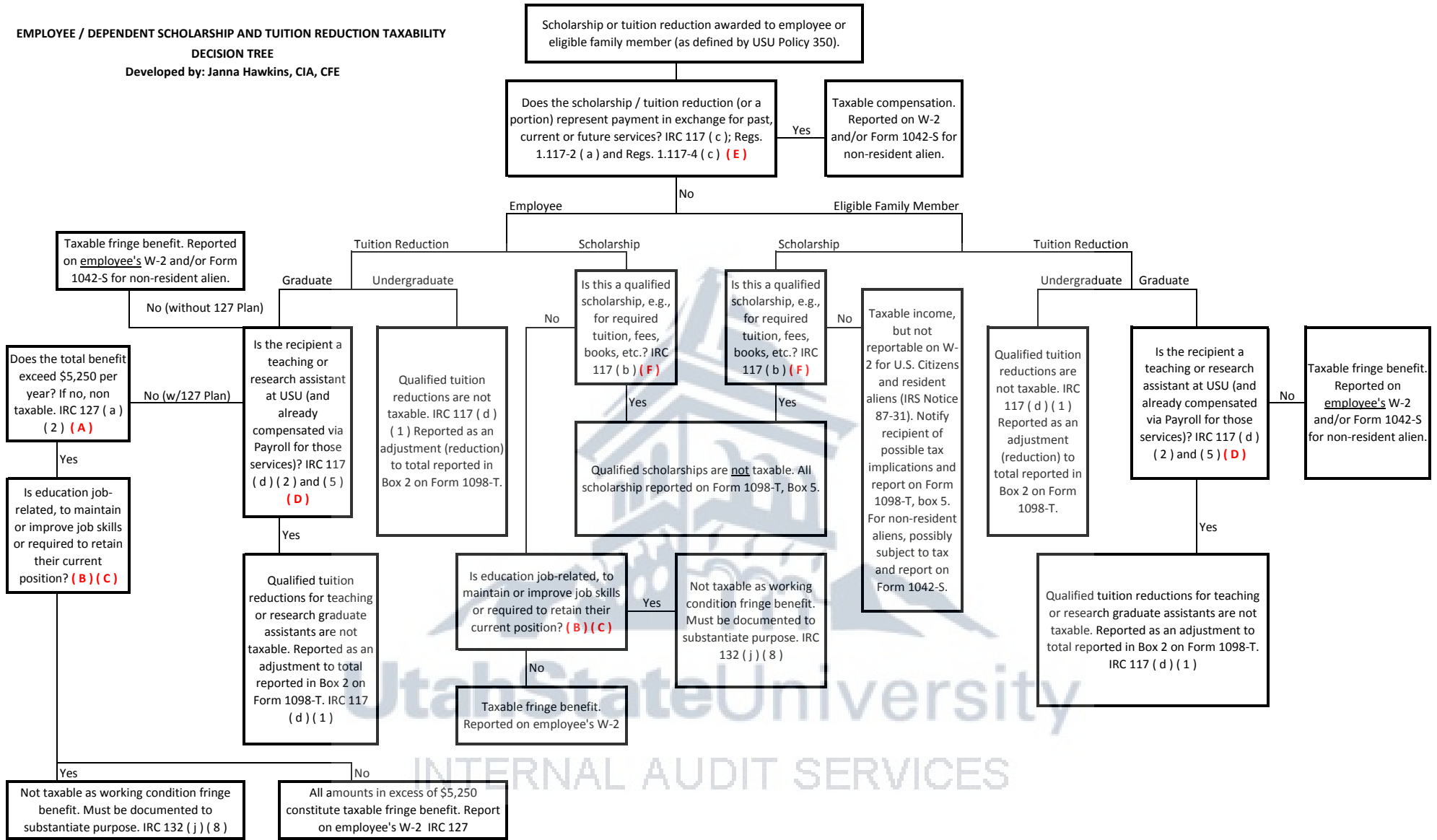


**EMPLOYEE / DEPENDENT SCHOLARSHIP AND TUITION REDUCTION TAXABILITY**

**DECISION TREE**

Developed by: Janna Hawkins, CIA, CFE



- (A) Unless IRC 127 (qualified educational assistance plan) is applicable (IRS Memorandum 20103901F), IRC 132 (working condition fringe benefit) would not be applicable. If IRC 117(d) section cannot be applied, then, IRC 132 is also not applicable. (Field Service Advice 200231016)
- (B) To constitute a working condition fringe benefit, the education cannot be meet the minimum educational requirements for the position (even if the employee is currently filling that position) and cannot qualify the employee for a new trade or business.
- (C) Per the IRS Fringe Benefit Guide (January 2014), "If the tax treatment of an educational expense is expressly provided for in a specific Code section, then it is not covered by IRC 132." Therefore, rule-out all other sections of Code before consideration of working condition fringe benefit.
- (D) This has been narrowly interpreted to apply only to teaching and research assistants who are graduate students, not to faculty/staff engaged in research or teaching. (PLR 9040045, 1990 WL 700556)
- (E) Example: in addition to the half tuition reduction per Policy 350, an employee receives a scholarship from his/her supervisor for doing a good job (the scholarship is tied to services)
- (F) Since all recipients are attending USU, an accredited educational institution that provides a program for bachelor's or higher degree, all qualify under the provision that stipulates "degree seeking".