

Dear Fee Waiver Participant,

The Internal Revenue Code (IRC) provides three ways to make employer-provided training and educational assistance, including fee waivers and reductions, excludable from taxable income.

1. Qualified Tuition Reduction under Internal Revenue Code Section 117(d)
2. Educational Assistance Programs under Internal Revenue Code Section 127; and
3. Working Condition Fringe Benefits under Internal Revenue Code Section 132(d)

By coordinating the three Internal Revenue Code Sections under the CSU Fee Waiver and Reduction Program the following tax-free or taxable benefits are available to CSU employees and their eligible spouses, domestic partners, and/or dependent children:

<u>Eligible Participant</u>	<u>Course level(s)</u>	<u>Tax Status</u>
CSU Employee	Undergraduate Graduate	Nontaxable Nontaxable up to \$5,250 per year
Employee's Spouse/ Dependent Child	Undergraduate Graduate	Nontaxable Taxable
Employee's Domestic Partner	Undergraduate Graduate	Taxable Taxable

Information Regarding Taxation of Employees Fee Waiver Benefits

Taxes for the Fee Waiver will be at the supplemental rate of approximately 36.25% of the Fee Waiver amount and the taxes may be taken out of the paycheck following Census date or added to your W-2 at year-end depending on the State Controller's processing deadlines.

If you have any questions on the taxation process or amounts, please contact the Benefits Office at feewaiver@csus.edu.