

STATE OF CALIFORNIA

KATHLEEN CONNELL,  
CONTROLLER OF CALIFORNIA

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OFFICE OF STATE CONTROLLER  
PERSONNEL/PAYROLL SERVICES DIVISION  
300-Capitol Mall  
P.O. Box 942850  
Sacramento, CA 94250-5878

Date: October 4, 1999

PAYROLL LETTER # 99-017  
CSU ONLY

To: All Campuses in the Uniform State Payroll System

From: Ralph Zentner, Chief  
Personnel/Payroll Operations Bureau

Re: FEE WAIVER PROGRAM

This Payroll Letter clarifies the application of Revenue Code (IRC) Section 117, Qualified Scholarships, teaching and research assistants participating in the California State University's (CSU) Fee Waiver Program. Please share this information with the appropriate entity(s) affected by this information.

IRC Section 117 allows that gross income shall not include any qualified tuition reduction offered by an educational institution to its employees (including spouses and dependents of employees). Qualified tuition reduction means the amount of any reduction at the institution below the graduate level. However, IRC Section 117(d)(5) provides a special rule for teaching and research assistants (graduate students). For an individual (graduate student) at an educational organization and who is engaged in teaching or research activities for the organization, the reduction is not limited to the undergraduate level. For only these teaching and research assistants, gross income shall not include any qualified graduate level tuition reduction offered by CSU's Fee Waiver Program.

Please use the following contacts should further assistance or information be needed:

CSU Fee Waiver Program  
Cordelia Ontiveros, Chancellor's Office

(562) 951-4503

Reporting Requirements  
Carol Sullivan, Tax Support Section

(916) 322-8072  
CALNET 492-8072

RZ:DB