

STATE OF CALIFORNIA

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CONTROLLER OF CALIFORNIA

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

Date: July 25, 2000

PAYROLL LETTER # 00-016

To: All Agencies/Campuses in the Uniform State Payroll System

From: Ralph Zentner, Chief
Personnel/Payroll Operations Bureau

Re: EDUCATIONAL ASSISTANCE - GRADUATE LEVEL

This Payroll Letter outlines new California regulations affecting the taxability of graduate level educational assistance and new reporting instructions for calendar year 2000 and thereafter.

Pursuant to Chapter 107, Statutes of 2000, California law extends the educational assistance exclusion from gross income to graduate level education. Effective January 1, 2000, graduate level educational assistance provided by employers to employees not exceeding \$5250 per calendar year is excluded from California wage reporting and tax withholding.

NOTE: All educational assistance exceeding \$5250 remains taxable. All graduate level educational assistance remains reportable and taxable at the federal level.

REPORTING INSTRUCTIONS

Effective immediately, when reporting graduate level educational assistance which does not exceed \$5250 in a calendar year, do not enter CA in Column 8 on the form STD. 676P/V, leave the state code blank. If the educational assistance exceeds \$5250, enter the state code.

If graduate level educational assistance was reported for 2000, submit correcting documents per Payroll Procedures Manual Section I 174. Specifically, submit a form STD. 676P/V to 'cancel' the original reporting and submit a 'new' form STD. 676P/V per the above instructions. This action will eliminate reporting of graduate level educational assistance as California wages on the Form W-2. NOTE: California tax refunds will not be issued. Revisions to the Payroll Procedures Manual are forthcoming.

CONTACTS

Reporting Requirements
Tax Support Section

(916) 322-8105
CALNET 492-8105

Forms STD. 676P/V Completion
W-2 Unit/Payroll Operations

(916) 322-8100
CALNET 492-8100

PR:CS/TSS