

Senate Committee on Education

February 24, 2015

SB 81 Tuition Waiver program

Summary

Senate Bill 81 requires tuition for certain courses offered at community colleges to be waived if person meets specific criteria.

General Comments

Under federal tax law, tuition reduction can be nontaxable if certain conditions are met (see below information from the IRS). Additionally, a scholarship or grant is nontaxable as long as it doesn't exceed the student's expenses, is not required for other purposes and it doesn't represent a payment for teaching. It is unclear whether a "waiver" of tuition under this bill would be considered a taxable event under federal law.

It would be helpful to know if the Legislature considers the "waiver" a tuition reduction (which would be taxable to the student if they or their family members are not an employee of the college) or a scholarship or grant (which is not taxable to the student if it doesn't exceed their expenses).

IRS Publication 970—Education Below the Graduate Level:

If you receive a tuition reduction for education below the graduate level (including primary, secondary, or high school), it is a qualified tuition reduction, and therefore tax free, only if your relationship to the educational institution providing the benefit is described below.

1. You are an employee of the eligible educational institution.
2. You were an employee of the eligible educational institution, but you retired or left on disability.
3. You are a widow or widower of an individual who died while an employee of the eligible educational institution or who retired or left on disability.
4. You are the dependent child or spouse of an individual described in (1) through (3), above.

For more information about this testimony, contact Deanna Mack 503-947-2082.