



# Legislative Testimony

Senate Committee on Education

March 18, 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 prior testimony). 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.

Because it is unclear, the Department contacted the IRS after the February 24, 2015 public hearing to get their take on this proposal. The IRS, through Clark Fletcher, confirmed that they would consider the tuition waiver in this bill similar to the difference in tuition a state charges its residents versus its non-residents.

-----Original Message-----

From: Fletcher Clark M  
Sent: Thursday, February 26, 2015 1:13 PM  
To: BALL Shannon \* DOR  
Cc: Jacobs Dwayne A  
Subject: RE: Tuition Waiver

Shannon,

Thank you for returning my call. After we had discussed the facts, it appears that the separate tuition rates will be offered to students depending on their residency, in-state versus out-of-state, which is not a federal tax issue.

Thank you for your inquiry,  
Clark Fletcher - Federal, State, and Local Government Specialist  
Employee ID# 1000276950  
Internal Revenue Service  
520 - 112th Avenue NE, Suite #300  
M/S W:704:CF  
Bellevue, WA 98004-5558

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