

STEPHEN F. AUSTIN STATE UNIVERSITY EMPLOYEE SCHOLARSHIP PROGRAM

The Employee Scholarship Program ("the Program") provides Stephen F. Austin State University ("University") eligible employees, their spouses and dependents, and the widow or widower and dependent children of an individual who died while an eligible employee with assistance in obtaining additional education.

1. DEFINITIONS.

1.1 "Program participant" is defined as an eligible person receiving scholarship aid through the Employee Scholarship Program, subject to the provisions of the Program.

1.2 "Eligible employee" is defined as a person who has been employed in a Teachers Retirement System (TRS) or Optional Retirement Plan (ORP) benefits eligible position at the University for a minimum of six continuous calendar months immediately preceding the start of the semester for which the Program benefits will be applied. Employees with less than 12-month assignments will retain eligibility during summer months provided they (1) meet the other criteria of the Program, (2) are employed in the preceding spring semester, and (3) have not resigned or been permanently or indefinitely terminated.

1.3 "Spouse" and "dependents" are defined in accordance with current Employee Retirement System (ERS) definitions. Except for dependents of deceased employees, both the spouse and dependents must be eligible for inclusion on the employee's health insurance at the start of the semester for which the Program benefits apply.

1.4 "Widow or widower and dependent children" are defined specifically as the spouse and dependent children of an individual who was an eligible employee at the time of death and who died during active employment with the University. The widow or widower must not have remarried. Dependent children of the deceased employee must meet the eligibility requirements for health insurance benefits as if the employee were still alive at the start of the semester for which the Program benefits apply.

1.5 "Course" is defined as any regular course offered by the University for which a grade will be issued upon completion of the course.

1.6 "Tuition and fees" is defined as tuition and required fees and is subject to the Internal Revenue Service (IRS) definition of qualified tuition and fees. Optional fees and charges such as application fees, orientation fees, property deposits, installment plan fees, late fees, reinstatement fees, parking permits, and post office charges are not included in this definition.

2. ELIGIBILITY.

2.1 An employee and his or her spouse and dependents shall be eligible to participate in the Program after the employee has been employed in a TRS or ORP benefits eligible position at the University for a minimum of six continuous calendar months immediately preceding the start of the semester for which the Program benefits will be applied. The employee must be employed with the University at the beginning of the semester for which the employee and/or their spouse and dependents have applied for this benefit. Benefits shall be paid during summer terms for eligible employees who are not contracted to work during a summer session provided they are an eligible employee and have worked during the preceding spring semester, unless they have resigned or their employment has been permanently or indefinitely terminated. Benefits shall likewise be paid for the spouse and/or dependents of eligible employees who are not contracted to work during a summer session provided the employee meets the above criteria.

2.2 Program participants must meet current admission standards, which include but are not limited to a 2.0 GPA for undergraduates and a 3.0 GPA for graduate students on a 4.0 scale. Such admission standards are subject to change and it the responsibility of the program participant to ascertain current admission standards. If the program participant is a returning or transfer student, the program participant must be in good academic standing with the University or the most recent university attended in order to be eligible to participate in the Program. Students are not eligible to participate in the Program if they are on academic or disciplinary probation at the University or at the academic institution the student is transferring from.

2.3 Program participants must be enrolled as degree-seeking students or must enroll in courses that maintain or improve their skills as employees of the University.

2.4 Employees, their spouses, widows/widowers, and dependents are not eligible to participate in the Program if either the employee or program participant owes any prior balance to the University.

2.5 Employees, their spouses, and dependents are not eligible to participate in the Program if the employee is on disciplinary probation or suspension.

3. BENEFITS.

3.1 Benefits may be used by employees, their spouses, widows/widowers, or dependents for undergraduate or graduate courses. Scholarships for all graduate level courses taken by spouses and dependents may constitute taxable income to the employee unless the student is working as a graduate research or teaching assistant. The employee will be responsible for the related employment taxes for these scholarships. The University will withhold taxes on the taxable amount of the scholarship and report the applicable taxable amounts and the amounts withheld to the IRS. Employees should consult a tax advisor for information about the tax treatment of benefits received under the Program. The University does not provide tax advice.

3.2 Benefits shall be paid, subject to the other provisions of the Program, for any course that falls within the definition stated in

1.5 if the course (1) maintains or improves skills as an employee of the University or (2) is taken as part of the participant's degree plan.

3.3 Benefits shall be paid, subject to the other provisions of the Program, for hours less than 150 maximum attempted undergraduate hours, with no limit on attempted postgraduate hours per program participant.

3.4 Benefits shall be paid, subject to the other provisions of the Program, in an amount not to exceed \$3,000 per fiscal year (September 1 through August 31) per employee, whether used by the employee, their spouse, the widow/widower, a dependent child, or a combination of these. Further, benefits shall not exceed \$1,500 per semester or summer term for any program participant. Benefits shall be paid during summer terms for eligible employees who are not contracted to work during a summer session provided they are an eligible employee and have worked during the preceding spring semester, unless they have resigned or their employment has been permanently or indefinitely terminated. Benefits shall likewise be paid for the spouse and/or dependents of eligible employees who are not contracted to work during a summer session provided the employee meets the above criteria.

3.5 Benefits may be used for payment of tuition and fees associated with eligible courses for which the program participant is enrolled. The program participant is responsible for payment of any amount incurred within an academic term that exceeds the maximum benefit for that term as specified herein, or the maximum term benefit of \$1,500, whichever is less.

3.6 Program participants who are eligible for other scholarships, grants, or exemptions, regardless of source, may only receive benefits for any tuition or fees owed after application of all scholarships, grants, and exemptions.

3.7 Under no circumstance shall benefits be paid or reimbursed in cash to the employee, nor shall benefits be paid in lieu of other compensation.

3.8 Benefits may not be used in payment for the third time that any individual course is repeated, except for remedial and development courses (within the 18-hour limit), special topics and seminar courses, and independent study courses.

3.9 The level of benefit will be determined as of the census date of the semester or term (normally the 12th class day for fall and spring semesters, 4th class day of the summer terms, and 2nd class day of the Maymester). Additionally, the level of benefit shall be adjusted for additional scholarships, grants, or exemptions applied to the program participant's account after that date.

3.10 Benefits may be canceled if a program participant withdraws from all classes. Moreover, benefits may not be applied to any class that has already been dropped at an earlier date.

3.11 Any amounts due for dropped or withdrawn courses, or for amounts exceeding the benefit limit, shall be the responsibility of the program participant. Costs associated with collection of any delinquent accounts shall be the responsibility of the program participant.

4. AVAILABILITY OF FUNDS FOR THE PROGRAM.

Benefits under the Program shall be subject to the availability of specific funds in the University budget and shall be awarded based on eligibility criteria articulated in the Program and other appropriate considerations including the timing of the request. The University shall not be required to make funds available in any given fiscal year. Benefits shall not be carried forward from one fiscal year to the next fiscal year.

5. APPLICATION FOR BENEFITS.

Any employee applying for benefits under the Program must complete the Employee Application. Additionally, employees taking courses under this program must submit the application to the employee's supervisor. The application shall then be submitted by the employee to the Office of Human Resources for confirmation of eligibility by the deadline as stated on the application. The application shall then be submitted by the employee to the Office of Student Financial Aid for additional confirmation of eligibility and for logging and tracking.

An employee applying for benefits under the Program for their spouse or dependent must complete a separate Dependent/Spouse Application for each participant. The participant must complete the Program Participant Certification section of the Dependent/Spouse Application. Additionally, the employee must submit a Dependent Child Certification Form (as indicated on the form). Both the application and the Dependent Child Certification Form shall then be submitted by the employee to the Office of Human Resources for confirmation of eligibility by the deadline as stated on the application. The application shall then be submitted by the employee to the Office of Student Financial Aid for additional confirmation of eligibility and for logging and tracking.

6. MISCELLANEOUS.

Nothing in the Program shall in any way modify or waive any University entrance or other academic requirements or course prerequisites. Approval of benefits under the Program does not constitute approval to be absent from assigned duties during normal working hours. See Policy 12.4, Employee Enrolling for Courses.

*NOTE: The Internal Revenue Code (IRC) provides three sets of rules that may be used to determine whether an educational benefit is taxable:

- IRC Section 127 (Educational Assistance Programs). The Stephen F. Austin State University Employee Scholarship Program qualifies as an Educational Assistance Program. Section 127 applies to employees only. The Section 127 exclusion applies generally to undergraduate and graduate tuition benefits except for classes involving sports, games, or hobbies which are neither job-related nor taken as part of the employee's degree plan. Because the employee must be taking courses as part of

their degree plan or taking courses that are job-related to be eligible to receive such benefits, any benefits used by the employee, whether for undergraduate or graduate level courses, will be tax-free. This section limits the tax-free benefit to \$5,250.

- IRC Section 117(d) (Qualified Tuition Reduction Programs). Under Section 117(d), qualified tuition and fees benefits provided to spouses and dependents for undergraduate level courses are excluded from taxable income. However, benefits provided for graduate level courses are included in taxable income (unless the student is working as a teaching or research assistant for the University). **Therefore, benefits provided to an eligible employee's spouse or dependents for graduate level courses, regardless of whether the program participant is seeking a baccalaureate or graduate degree, will be included as taxable income on the employee's W-2 at year-end and will be subject to tax withholdings.**
- IRC Section 132 and IRC Regulation Section 1.132-1(f) (Fringe Benefit Rules). The IRS fringe benefit rules provide that tuition can be a tax-free benefit if the education "maintains or improves job skills." Under these rules, the exclusion does not apply if the course is required to meet the minimum educational requirements of the employee's job or if it qualifies the employee for a new occupation. Finally, under the fringe benefit rules, the exclusion will not apply to tuition benefits provided to an employee's spouse or dependents.

The University complies with federal and state tax regulations governing any applicable taxability, tax reporting, and/or withholding of taxes on the University's Employee Scholarship Program. **The value of any taxable tuition and fee benefits will be included as taxable income on the employee's W-2 at year-end and will be subject to tax withholdings.**

This information does not constitute legal advice and should not be relied upon as such. The Internal Revenue Code and associated regulations, as well as the IRS's interpretation of such Codes and regulations, may be changed at any time and are outside of the control of University. The University does not represent or warrant the accuracy of the information contained herein regarding taxability of benefits received under the Employee Scholarship Program. By submitting an application to participate, the employee agrees that the University shall not be held liable for any damages that may result from the tax information provided in this document.