



To: School Leaders
From: Patrick Haggarty
Date: March 4, 2016
RE: Tuition Reduction Benefit for Employees

According to IRS publications and rulings, employees and/or their dependents of a Catholic school are allowed to study free or for a reduced rate of tuition without having to pay taxes on this benefit.

A Tuition Reduction Benefit is tax free, only if the employee's relationship to the Catholic school falls under one of the following four descriptions:

1. The recipient is an employee of the Catholic school.
2. The recipient was an employee of the Catholic school but retired or left on disability.
3. The recipient is a widow or widower of an individual who died while an employee of the Catholic school or who retired or left on disability.
4. The recipient is the dependent child or spouse of an individual described in 1, 2, or 3.

Other important functions of the Tuition Reduction Benefit include:

- **A school that offers a Tuition Reduction Benefit, must make it available to all school employees** (administration, faculty, and support staff), including those employed in the school's early learning, extended care, and/or Pre-Kindergarten program(s).
- Schools can arrange for reciprocal tuition reduction benefits for their employees. In other words, multiple schools can arrange for a Tuition Reduction Benefit for employees of participating schools. It is important to note that schools that have this agreement shall honor it for all employees of participating schools.
- An IRS ruling (Private Letter Ruling 200149030) was issued regarding the applicability of school tuition discounts for church staff. The IRS clearly indicated that church employees who do not have a function or role in the school, do not qualify for a tax-free Tuition Reduction Benefit. If a Tuition Reduction Benefit is provided to Church employees, the value of the benefit shall be reported as income to the Church employee.
- Finally, Tuition Reduction Benefit is a fringe benefit for school employees and their children who attend a Catholic school. Schools may not offer a cash award to employees in lieu of receiving the benefit.