November 13, 2017

MEMORANDUM

TO: David S. Tamanaha  
   Vice Chancellor  
   Administrative Affairs  
   University of Hawaii Maui College

FROM: Kenneth Lum  
   Tax Manager, Financial Management Office  
   University of Hawai‘i

SUBJECT: Tax Analysis of Professional Development for UH employees

Pursuant to our conversation, the following is my tax analysis on expenditures on professional development for university employees:

Inquiry:

Are there any tax consequences (personal benefits) to UH employees for professional development costs paid by UH?

Conclusion:

The tax consequences for each UH employee will vary depending on whether the professional development cost for such class is job related or not. If it is job related, then no tax consequences to the UH employee.

Tax Analysis:

Job-related education may be furnished directly by the employer, either alone or in conjunction with other employers, or through third party such as educational institution or seminar organization. Employer payments or reimbursements for job-related educational expenses are excluded from the employee’s income as a working condition fringe benefit (IRS Reg. 1.132-1(f)(1)). The exclusion is available for any form of educational instruction or training that
improves or develops the job-related capabilities of the individual and is otherwise deductible as a working condition fringe benefit.

Job-related qualifying education is education that (a) is required by employer or the law to keep a present salary, status, or job or (b) maintains or improves skills required for present work (Reg. 1.162-5). However, education expenses will not qualify for exclusion if either of the following applies:

1. The education is needed to meet minimum job requirements.
2. The education qualifies the employee for a new trade or business.