

Reduced Room and Board for Student Employees

USSS-09



About This Policy

Effective Date:

08-01-2008

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Responsible University Office:

University Student Services and Systems

Responsible University Administrator:

Executive Vice President for University Academic Affairs

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Policy Statement

Tax Reporting

Per Internal Revenue Code Section 119, reduced room and board for employees may be considered excludable from income in situations where the benefit is provided as a convenience to the employer and when it is provided on the employer's premises. In addition, acceptance of the employer provided lodging must be required as a condition of employment.

Reporting to Employees

The housing contracts signed by employees who are eligible for room/board reductions will contain specific wording regarding the value of the room and board, the amount of the applicable reduction, and the reason the student qualifies for this "living allowance" as a part of his/her contract.

The housing/residence life office will send annual statements to students on contract, for the student's purposes. The statement will show the value of the "living allowance" and confirm it to be excludable from income according to a cited Internal Revenue Code Section. Finally, housing/residence life will advise the student that both taxed and untaxed income must be reported on the Free Application for Federal Student Aid (FAFSA) for the subsequent application year, should the student apply for Federal aid.

FAFSA Reporting by the Student

Per the Federal Student Aid Handbook:

Non-need-based earnings are not to be considered as a resource for the current award year because they will be reported as income on the Free Application for Federal Student Aid (FAFSA) for the subsequent award year and will be used in calculating the future EFC. (2007-08 Federal Student Aid Handbook, Vol.3 Ch.7, page 3-118)

Housing, food, and other living allowances: Some people, particularly clergy and military personnel, receive these allowances as compensation for their jobs. Money received to pay for rent should also be reported; as should the free use of a house or apartment (the rent or market value of a comparable house or apartment can be used). Similarly, if the student received free room or board in 2006 for a job that was not awarded as student financial aid (including resident advisor positions that provide free room and board as part of the student's non-need-based employment compensation), she must report the value of the room and board as untaxed income. (2007-08 Federal Student Aid Handbook, Application and Verification Guide, page AVG-16)

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Reason For Policy

The IU campuses of South Bend and Southeast will begin student housing starting with the 2008-09 academic year. Resident assistants and other eligible student employees may receive living allowances in the form of reduced room and board as employee benefits. The campuses have asked for a clarification on how treat reduced room and board for tax and financial aid reporting.

At IUPUI there was an issue regarding an arrangement in which RA's were provided meal allowances through credits on a debit card. It was determined the arrangement did not qualify for the exclusion from Federal Income Tax.

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History

Review Team: Doug Priest, James Kennedy, Susan Pugh, Patrick Connor, Maggie Whitlow, Kathleen McNeely, Joan Hagen.