

**UNIVERSITY OF SOUTHERN CALIFORNIA**

**TUITION ASSISTANCE BENEFIT PROGRAM**

AMENDED EFFECTIVE JULY 1, 2011

**UNIVERSITY OF SOUTHERN CALIFORNIA  
TUITION ASSISTANCE BENEFIT PROGRAM**

***INTRODUCTION***

This plan document amends and restates the terms and conditions of the University of Southern California Tuition Assistance Benefit program, effective as of July 1, 2011. The university provides the TAB program to assist eligible employees with educational expenses for themselves and their eligible dependents. To the extent possible, benefits under the TAB program are intended to be tax-exempt under Internal Revenue Code sections 117(d) or 127 (as applicable). This benefit is intended to be an educational assistance program under Internal Revenue Code section 127 with respect to benefits that are excluded from taxation under such code section.

In the event of a discrepancy between this plan document and a description of the TAB program, this plan document will govern. In the event of a discrepancy between this plan document and a collective bargaining agreement, the terms of the collective bargaining agreement will govern.

**ARTICLE I**  
**DEFINITIONS**

*1.01 Eligible Child*

“Eligible child” or “Eligible children” means: (1) a biological child of an eligible staff employee or eligible faculty member; and (2) a child who is legally adopted by an eligible staff employee or an eligible faculty member; and (3) a current stepchild of an eligible staff employee or an eligible faculty member. An individual ceases to be an “eligible child” upon attainment of age 35.

*1.02 Eligible Faculty Member*

“Eligible faculty member” means a full-time, benefits-eligible faculty member employed by the university.

*1.03 Eligible Staff Employee*

“Eligible staff employee” means a full-time, benefits-eligible staff employee employed by the university.

*1.04 Federal Tax Dependent*

“Federal tax dependent” means a dependent for federal income tax purposes under the Internal Revenue Code, as amended from time to time.

*1.05 Full-time*

“Full-time” means 100% effort of an employee’s 32, 37.5, or 40 hour work week, as established by the university.

*1.06 Grandfathered Employee*

“Grandfathered employee” means a staff employee or faculty member whose date of employment with the university is (1) prior to July 1, 2011 or (2) on or after July 1, 2011, but he or she has a verified offer letter accepting employment co-signed prior to July 1, 2011. For the avoidance of doubt, an individual who is rehired on or after July 1, 2011 is not a grandfathered employee (unless (2) above or the service bridging rule of Section 5.03 applies).

*1.07 “Registered Domestic Partner”*

“Registered Domestic Partner” means a domestic partner who satisfies the university’s guidelines for registered domestic partner status, which require that (1) both persons are members of the same sex or one or both persons are over age 62 (if opposite sex), (2) both person are capable of consenting to the domestic partnership, and (3) the couple has a certified certificate of domestic partnership issued by a state or other governmental entity.

*1.08 Spouse*

“Spouse” means the legally married spouse of an eligible staff employee or eligible faculty member.

*1.09 TAB or TAB Program*

“TAB” or “TAB program” means the University of Southern California Tuition Assistance Benefit program.

*1.10 University*

“University” means the University of Southern California.

## **ARTICLE II ELIGIBILITY**

### *2.01 Eligibility*

An eligible staff employee or an eligible faculty member is eligible to receive tuition assistance, and to have his or her child, spouse or registered domestic partner receive tuition assistance, for eligible coursework taken at the university, subject to the restrictions outlined below in *Article III, Use of the Benefit*. Part-time staff and faculty, fellows, teaching assistants, research assistants, laboratory assistants, temporary employees, those claiming student status, and former employees (except as described in Section 3.08 or 5.03) are not eligible.

### *2.02 Commencement of Eligibility/Required Documentation of Employee Relationship with Student*

Eligible staff employees and eligible faculty members must be employed by the university in a full-time benefits-eligible position on or before the first day of classes in the semester for which they wish to apply the benefit, subject to any waiting period requirements (see Section 3.04 and 3.06). The student and, if different, the sponsoring employee seeking tuition assistance must submit an Application for Tuition Assistance form to the Office of Benefits Administration on the University Park campus as far in advance as possible, but in no event later than the first day of classes. Tuition assistance eligibility does not guarantee the student admission to the university.

For a child, spouse or registered domestic partner to receive tuition assistance, the sponsoring eligible staff employee or eligible faculty member must provide to the Office of Benefits Administration original documentation to verify marital or registered domestic partner status, or to verify that the student is an eligible child. Any such documentation requiring translation must be provided along with translations of each document and a written and signed statement from the translator stating that he or she is familiar with both the foreign language and English and that the translation is accurate.

### *2.03 Cessation of Eligibility*

A student who receives tuition assistance is responsible for immediate payment to the university of any prorated amount of tuition assistance if a post-registration audit reveals:

1. a sponsoring eligible staff employee or eligible faculty member has had a change of employment status, including, but not limited to:
  - a. termination of employment during the semester/session, or
  - b. a change from full-time to part-time status or from a benefits-eligible to a non-benefits-eligible position during the semester/session, or

- c. an unpaid leave of absence of more than thirty days during the semester in which tuition assistance was received. Specifically excluded are leaves in connection with Workers' Compensation, Medical Leave (refer to the Medical Leave of Absence Policy for details), Family Care Leave, or Military Leave; or
2. the student has ceased to be a dependent during the semester/session (except as otherwise provided herein); or
3. tuition assistance has been applied to any ineligible tuition or fees; or
4. tuition assistance has been applied in violation of any section of this plan document.

**ARTICLE III**  
**USE OF THE BENEFIT**

*3.01 General Limitations and Restrictions*

Tuition assistance is limited to tuition for courses taken at the university under the terms of this plan, and does not apply to any fees, including, but not limited to, late fees, finance charges, health center fees, general fees, lab fees, dissertation fees, special educational program fees, special fees for individual or small group instruction, or travel fees. Such fees or tuition not covered under this plan are the responsibility of the student. To avoid late fees, a student must register for classes and settle his or her bill by the settlement deadline as established by the university and published in the Schedule of Classes.

*3.02 Limitations and Restrictions: Eligible Staff Employees*

An eligible staff employee may receive tuition assistance as follows:

1. Degree Candidate

An eligible staff employee – who is a degree candidate formally admitted to the university – may receive up to 100% tuition assistance for courses which meet the academic requirements of his or her degree program, for a maximum of six (6) units for record per semester, including one summer session, of which no more than four (4) units may be at the graduate level. These courses must be taken for grade.

2. Limited Status

An eligible staff employee – who is not formally admitted to the university – may take one course which has been defined as “work- related” by his or her supervisor(s), for audit per semester, including one summer session, subject to the written permission of both his or her supervisor(s) and the department in which the course is offered. An instructor may set conditions on the extent to which the student may participate in class. No tuition funds are disbursed to the academic unit in which the student is taking the course. These courses may not be taken for grade.

A student described in (2) above may also take work-related courses for credit with tuition funds not covered by this plan if his or her school or department approves and pays the tuition, as determined by the school or department in its sole discretion. Any staff employee taking courses which do not meet the aforementioned restrictions will be assessed tuition and fees. An eligible staff employee who wishes to attend classes that meet during his or her scheduled workday must obtain the written permission of his or her supervisor.

*3.03 Limitations and Restrictions: Eligible Faculty Members*

Tuition assistance will be provided to eligible faculty members for auditing one course per semester or summer session, or for a limited number of units of coursework taken for credit in

undergraduate, graduate, or professional classes per semester or summer session. However, eligible faculty members shall not be candidates for degrees in the same school in which they have an appointment and, in addition, assistant professors on the tenure track should not simultaneously be candidates for degrees in any department of the university. Individual exceptions may be made only with the approval of the Provost or of a special committee appointed by the President.

### *3.04 Limitations and Restrictions: Eligible Children of Eligible Staff Employees*

An eligible child of an eligible staff member employed by the university as an eligible staff member for at least two full years on or before the first day of classes in any semester/session for which application is made may receive 100% tuition assistance for a maximum of one degree program, up to a maximum of 144 undergraduate or 72 graduate units, whichever comes first. Degree programs officially recognized by the university as “progressive degrees” count as one degree and additional units may be made available to complete them. Counted toward the allowable maximum are units associated either with: (1) classes from which a student has withdrawn after the last day to register and add classes, as established by the university and published in the Schedule of Classes, or (2) courses in which he or she has received an incomplete. A student is strongly encouraged to coordinate his or her tuition assistance with other forms of financial aid for which he or she may be eligible, and should contact the Financial Aid Office to do so.

An eligible child enrolled at the time of death or permanent disability of a current sponsoring eligible staff employee may continue to receive 100% tuition assistance in order to complete his or her degree (subject to the terms and conditions of the TAB program). An eligible child of an eligible staff employee on military leave may continue to receive 100% tuition assistance to complete his or her degree during the duration of the leave (subject to the terms and conditions of the TAB program).

An eligible child of an eligible staff employee who is not yet enrolled at the time of death or permanent disability of a current sponsoring eligible staff employee may receive tuition assistance based on the number of years of benefits-eligible service of their sponsor in accordance with the following:

1. If a sponsoring eligible staff employee with less than five years of benefits-eligible service at the university dies or becomes permanently disabled while he or she is an eligible staff employee, his or her surviving eligible children may receive tuition assistance equivalent to one year of tuition assistance for each year of the employee's benefits-eligible service to the university and divided among the surviving eligible children (as designated by the surviving parent, guardian or former guardian in a written, notarized statement), subject to the terms and conditions of the TAB program in effect at the time the eligible children elect to exercise the benefit, including the maximum number of units allowed.
2. If a sponsoring eligible staff employee with five or more years of benefits-eligible service at the university dies or becomes permanently disabled while he or she is an

eligible staff employee, his or her surviving eligible children may receive tuition assistance equivalent to the tuition assistance received by eligible children of current eligible staff employees, subject to the terms and conditions of the TAB program in effect at the time the eligible children elect to exercise the benefit, including the maximum number of units allowed.

In the case of an individual who ceases to be an eligible child by reason of attainment of age 35 during the semester/session, tuition assistance will be allowed through the end of that semester/session in which child turns 35 (with no proration).

### *3.05 Limitations and Restrictions: Eligible Children of Eligible Faculty Members*

Eligible children of eligible faculty members employed by the university on or before the first day of classes in any semester/session for which application is made may receive 100% tuition assistance for a maximum of one degree program, up to a maximum of 144 undergraduate or 72 graduate units, whichever comes first. Degree programs officially recognized by the university as “progressive degrees” count as one degree and additional units may be made available to complete them. Counted toward the allowable maximum are units associated either with: (1) classes from which a student has withdrawn after the last day to register and add classes, as established by the university and published in the Schedule of Classes, or (2) courses in which he or she has received an incomplete. A student is strongly encouraged to coordinate his or her tuition assistance with other forms of financial aid for which he or she may be eligible, and should contact the Financial Aid Office to do so.

An eligible child enrolled at the time of death or permanent disability of a current sponsoring eligible faculty member may continue to receive 100% tuition assistance in order to complete his or her degree (subject to the terms and conditions of the TAB program). An eligible child of an eligible faculty member on military leave may continue to receive 100% tuition assistance to complete his or her degree during the duration of the leave (subject to the terms and conditions of the TAB program).

An eligible child of an eligible faculty member who is not yet enrolled at the time of death or permanent disability of a current sponsoring eligible faculty member may receive tuition assistance based on the number of years of benefits-eligible service of their sponsor in accordance with the following:

1. If a sponsoring eligible faculty member with less than five years of benefits-eligible service at the university dies or becomes permanently disabled while he or she is an eligible faculty member, his or her surviving eligible children may receive tuition assistance equivalent to one year of tuition assistance for each year of the faculty member's benefits-eligible service to the university and divided among the surviving eligible children (as designated by the surviving parent, guardian or former guardian in a written, notarized statement), subject to the terms and conditions of the TAB program in effect at the time the eligible children elect to exercise the benefit, including the maximum number of units allowed.

2. If a sponsoring eligible faculty member with five or more years of benefits-eligible service at the university dies or becomes permanently disabled while he or she is an eligible faculty member, his or her surviving eligible children may receive tuition assistance equivalent to the tuition assistance received by eligible children of current eligible faculty members, subject to the terms and conditions of the TAB program in effect at the time the eligible children elect to exercise the benefit, including the maximum number of units allowed.

In the case of an individual who ceases to be an eligible child by reason of attainment of age 35 during the semester/session, tuition assistance will be allowed through the end of that semester/session in which child turns 35 (with no proration).

### *3.06 Limitations and Restrictions: Spouse or Registered Domestic Partner of Eligible Staff Employees*

A legally-married spouse or registered domestic partner of an eligible staff member employed by the university as an eligible staff member for at least two full years on or before the first day of classes in any semester/session for which application is made may receive 50% tuition assistance for a maximum of one degree program, up to a maximum of 144 undergraduate or 72 graduate units, whichever comes first. Degree programs officially recognized by the university as “progressive degrees” count as one degree and additional units may be made available to complete them. Counted toward the allowable maximum are units associated either with: (1) classes from which a student has withdrawn after the last day to register and add classes, as established by the university and published in the Schedule of Classes, or (2) courses in which he or she has received an incomplete. A student is strongly encouraged to coordinate his or her tuition assistance with other forms of financial aid for which he or she may be eligible, and should contact the Financial Aid Office to do so.

If a sponsoring eligible staff employee dies or becomes permanently disabled while he or she is employed by the university, his or her surviving spouse or registered domestic partner may continue to receive tuition assistance to complete the semester in which he or she is enrolled, subject to the terms and conditions of this plan document.

A spouse who is legally separated or a former spouse divorced from a sponsoring employee is not eligible to receive tuition assistance. A registered domestic partner whose domestic partnership with a sponsoring employee has been terminated is not eligible to receive tuition assistance.

### *3.07 Limitations and Restrictions: Spouse or Registered Domestic Partner of Eligible Faculty Members*

A spouse or registered domestic partners of an eligible faculty member employed by the university on or before the first day of classes in any semester/session for which application is made may receive 50% tuition assistance for a maximum of one degree program, up to a maximum of 144 undergraduate or 72 graduate units, whichever comes first. Degree programs officially recognized by the university as “progressive degrees” count as one degree and

additional units may be made available to complete them. Counted toward the allowable maximum are units associated either with: 1) classes from which a student has withdrawn after the last day to register and add classes, as established by the university and published in the Schedule of Classes, or 2) courses in which he or she has received an incomplete. A student is strongly encouraged to coordinate his or her tuition assistance with other forms of financial aid for which he or she may be eligible, and should contact the Financial Aid Office to do so.

If a sponsoring eligible faculty member dies or becomes permanently disabled while he or she is employed by the university, his or her surviving spouse or registered domestic partner may continue to receive tuition assistance to complete the semester in which he or she is enrolled, subject to the terms and conditions of this plan document.

A spouse who is legally separated or a former spouse divorced from a sponsoring faculty member is not eligible to receive tuition assistance. A registered domestic partner whose domestic partnership with a sponsoring faculty member has been terminated is not eligible to receive tuition assistance.

### *3.08 Limitations and Restrictions: Former Employees Affected By Outsourcing*

A university eligible staff employee who is laid off or terminated as a result of the university's outsourcing an entire department or job function to an independent contractor, if hired by the contractor for work at the university, will continue to be eligible for tuition assistance benefits equivalent to those offered to eligible staff employees (for dependents and self) while employed by the contractor and assigned to work at the university, in accordance with the provisions of the TAB program in effect at the time the dependent or former employee elects to exercise the benefit.

### *3.09 Eligible Children of Parents Who Both Work for the University; Dual Eligibility*

If both parents of an eligible child are employed by the university, the eligible child is entitled to a maximum of only one degree program, and the same limits and conditions will apply as if the university only employed one parent. If an eligible child is also a spouse or registered domestic partner of a different eligible staff member or eligible faculty member, the eligible child accrues no additional benefit from the spousal relationship under the TAB program, although he or she may receive benefits in his or her capacity as a spouse or registered domestic partner if he or she ceases to be an eligible child as a result of attainment of age 35.

## **ARTICLE IV TAX LIABILITY**

### *4.01 Employees Advised to Contact Tax Consultant*

This Article focuses on the federal income tax treatment of tuition assistance benefits. In many instances, the tax treatment will be the same for state income tax purposes. Eligible staff employees and eligible faculty members are advised to contact a tax consultant for information about the state and federal tax treatment of benefits under the TAB program.

### *4.02 Responsibility for Tax Liability*

The TAB program is intended to provide benefits that are, to the extent possible, excluded from taxation under Internal Revenue Code Sections 117(d) and 127, and other applicable laws in effect from time to time. Nonetheless, many benefits provided under the TAB program will constitute taxable income. The employee is responsible for any tax liability resulting from benefits provided under the TAB program to the employee or dependent of the employee. The university is required by law to report to the Internal Revenue Service the gross amount of the tuition assistance received that is subject to taxes on the appropriate tax forms. Taxes are withheld and the tuition assistance subject to taxation is reported as income in the same semester in which the benefit is received.

The tax liability of tuition assistance benefits is determined by whether a student is pursuing a graduate or undergraduate degree and not by the classification of the course.

An employee with questions regarding the taxes withheld from his or her paycheck may contact Payroll Services. The university does not provide tax advice. Employees are advised to contact a tax consultant for more information.

### *4.03 Undergraduate Degrees*

TAB program benefits for undergraduate courses that are taken by an eligible staff employee, an eligible faculty member, or an opposite-sex spouse generally will be exempt from federal taxation. TAB program benefits for undergraduate courses that are taken by a same-sex spouse, a registered domestic partner or an eligible child will be exempt from federal taxation if the same-sex spouse, registered domestic partner or eligible child is the federal tax dependent (for federal income tax purposes) of the sponsoring employee.

A Tax Dependent Certification Form must be filed with Payroll Services, whether or not the dependent is a federal tax dependent, when the sponsoring employee first applies for the benefit. The certification form also must be renewed with Payroll Services at the beginning of each calendar year while the dependent is taking undergraduate courses. Without such certification, tuition assistance benefits for undergraduate courses are considered taxable and reportable income and the appropriate tax form will be issued. Any change in a dependent's federal tax dependent status must be reported to Payroll Services. Tax Dependent Certification forms are

available from the Office of Benefits Administration or on the Benefits website at [www.usc.edu/benefits](http://www.usc.edu/benefits).

#### *4.04 Graduate Degrees*

Tuition assistance benefits for graduate courses taken by an employee's eligible child, spouse or registered domestic partner are taxable income for the employee and subject to taxation and reporting on the appropriate tax forms. Tuition assistance benefits in excess of \$5,250 (per calendar year) for graduate courses taken by an employee are considered taxable and are reported as income for the employee unless the graduate courses qualify as job related under Internal Revenue Code provisions.

The employee must file a Graduate Coursework Certification with Payroll Services, whether or not the courses are job-related, prior to the beginning of each semester while taking graduate courses. Tuition assistance benefits in excess of \$5,250 will be added to the employee's income and appropriate taxes withheld unless the employee and his or her supervisor certify that the coursework is job related. To qualify as job-related, both must certify that the course is required to maintain or improve skills required for the job, or is required by the university or by law as a condition of continuing employment in the employee's current job. Graduate Coursework Certification forms are available from the Office of Benefits Administration, or on the Benefits website at [www.usc.edu/benefits](http://www.usc.edu/benefits)

A child, spouse or registered domestic partner who is also a teaching assistant or a research assistant will receive taxable TAB benefits unless he or she is entitled to tax-exempt tuition assistance provided directly by his or her school or department in connection with his or her role as a teaching assistant or research assistant for that school or department, in which case his or her graduate-level tuition assistance will be provided by his or her school or department rather than under the TAB program.

#### *4.05 Tax Implications for Former Employees*

A tuition assistance benefit provided to a former employee or the dependent of a former employee is taxable and reportable as income unless the former employee retired or terminated employment with the university because of a permanent disability and the benefit is for undergraduate coursework. An employee is treated as "retired" for purposes of the TAB program if his or her employment with the university terminates at or after age 55.

**ARTICLE V**  
**GRANDFATHERING/EXCEPTIONS FOR EMPLOYEES HIRED PRIOR TO JULY 1, 2011**

*5.01 General*

This Article V sets forth certain provisions that apply to a staff employee or faculty member who is a grandfathered employee until otherwise amended by the university pursuant to Section 6.02. Except as provided in this Article V, the provisions set forth in this plan document generally apply to grandfathered employees, and any employee who is not an eligible staff employee or an eligible faculty member is not entitled to any benefit not explicitly provided under this Article V.

*5.02 Waiting Period for Eligible Staff Employees*

An eligible staff employee who is a grandfathered employee is exempt from the two-year waiting period described in Sections 3.04 and 3.06 (with respect to tuition assistance benefits for eligible children, spouses and registered domestic partners).

*5.03 15-Year Service Benefit*

An eligible child of a grandfathered employee who has already earned 15 years of benefits-eligible service as of July 1, 2011 will remain eligible for post employment tuition assistance benefits subject to the terms and conditions in this plan document. A grandfathered employee who has not attained 15 years of benefits-eligible service will continue to accrue service credit if there is no break in his or her service (breaks in service will nullify the post employment tuition assistance option). Upon attainment of 15 years of benefits-eligible service, the eligible children of a grandfathered employee will also be eligible for the post employment benefit subject to the terms and conditions in this plan document. If a grandfathered employee is laid off before attaining 15 years of benefits-eligible service, but is subsequently rehired within one year, service will be bridged. No such bridging of service will be allowed for employees rehired after terminating for any other reasons (e.g., voluntarily), or rehired after more than a year. For purposes of this Section 5.03, an employee is "laid off" if he or she is eligible for severance benefits under the University of Southern California Severance Pay Plan.

*5.04 Age Limit for Eligible Children*

The otherwise eligible children of grandfathered employees, who have already turned 35 as of July 1, 2011 and are already enrolled in a degree program, may complete the degree program.

*5.05 Part-Time Employees*

If grandfathered employees who are part-time employees, or their children, spouses or registered domestic partners, are already admitted or enrolled in a degree program as of July 1, 2011, the enrolled student may complete his or her degree program. Any child, spouse, or registered domestic partner of a part-time employee, who is not yet admitted or enrolled as of July 1, 2011, is not eligible for benefits under the TAB program unless and until the sponsoring employee

becomes an eligible staff employee. For grandfathered employees, the years of part-time service will count toward the two-year waiting period requirement.

*5.06 One Degree Limit for Children, Spouses and Domestic Partners*

Children, spouses or domestic partners of grandfathered employees, who are enrolled in a second degree program as of July 1, 2011 but have not yet reached the unit limit of 144 undergraduate or 72 graduate units, may continue that second degree program up to the unit limit.

**ARTICLE VI**  
**MISCELLANEOUS**

*6.01 Administration*

The TAB program shall be administered by the university. The university shall have the discretionary power and authority to administer the TAB program in all respects, to interpret its provisions and to decide, among other things, satisfaction of eligibility requirements and claims for benefits hereunder. All decisions of the university shall be final and binding on all persons.

*6.02 Amendment and Termination*

The university reserves the right at any time or times to amend the TAB program to any extent and in any manner that it may deem advisable, by a written instrument signed by an officer of the university, any amendment to take effect retroactively if the instrument so provides. The university shall have no obligation or liability whatsoever to maintain the TAB program for any given length of time and may discontinue the TAB program at any time.

*6.03 Reclassification of Employment Status*

Notwithstanding anything herein to the contrary, an individual who is designated an independent contractor of the university, or is not characterized by the university as a regular employee, shall not be eligible to participate in the TAB program. However, in the event that such an individual is reclassified by the university as a regular employee, and is not designated by the university as an independent contractor, the individual shall be eligible to participate in the program as of the actual date of such reclassification if such individual otherwise qualifies as an eligible staff employee or eligible faculty member hereunder. In no event shall such reclassified individual be eligible to participate in the TAB program prior to the actual date of reclassification by the university.

*6.04 Governing Law*

The program will be construed, administered and enforced according to the laws of the State of California, to the extent not preempted by federal law.

*6.05 Limitation of Rights*

Neither the establishment of the program nor any amendment thereof will be construed as giving to any participant or other person any legal or equitable right against the participating employers or the administrator except as provided in this document and in no event will the terms of employment or service of any participant be modified or in any way be affected hereby.