

## **FLSA-615**

January 12, 1978

This is in reply to your letter dated December 14, 1977, asking, on behalf of several of your clients, if tuition reimbursements to employees would have an effect on the minimum wage and overtime compensation provisions of the Fair Labor Standards Act.

You state your clients wish to continue either a bona fide loan or cash advance agreement, which would require employees to reimburse their employers if they terminate their employment before six months have elapsed following completion of the course. However, if the employees continue working longer than the six months the tuition repayment is forgotten. You also state that increases in salary are not dependent upon completion of any course; courses are not prerequisites for continued employment; and in the case of courses leading to a college degree, the courses may not be related to the employee's job duties. However, many employees take advantage of the tuition program to upgrade their job status.

While the subject payments are an inducement to encourage employees to pursue courses of study which may help them in their present duties and also in their future careers, we do not believe that the payments should be regarded as compensation for services within the meaning of the Act. The employees in the schools get the money only if they take the course and remain with the company for six months after completing the course.

Section 7(e)(2) excludes from the regular rate of pay several items, including reasonable payment for expenses incurred and properly reimbursable by the employer and other similar payments to an employee which are not made in compensation for his or her hours of employment. The subject tuition payment is in a sense an expense incurred in the employer's interest.

We see nothing improper about the employee making reimbursement to the employer. However, if it is not such a payment then it would seem to be covered by the provision that similar payments (this refers back to expenses) to an employee are properly excluded when these payments are not made as compensation for his or her hours of work. Under this provision it would seem to be clear that the amount paid for tuition is not part of the regular rate of pay.

Accordingly, it is our opinion that the tuition reimbursement and six month employment requirement would not affect the minimum wage and overtime compensation provisions of the Act.

Sincerely,

by Warren D. Landis  
Deputy Administrator  
Wage and Hour Division

Xavier M. Vela  
Administrator