



Employer-Provided Education Assistance

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Background: Employer-provided education assistance (also known as Section 127 of the Internal Revenue Code) allows an employee to exclude from income up to \$5,250 per year in education assistance provided by his or her employer for courses at the associate, undergraduate and graduate levels. In today's competitive workforce, a comprehensive employer-sponsored benefits package is a key component many employers use to attract and retain top talent. Employers carefully construct a benefits package that reflects the needs and demands of their unique workforce.

Issue: The federal government estimates that there are nearly 45 million Americans with student loan debt, bringing the total U.S. student debt burden to more than \$1.64 trillion. Providing tax-free education assistance is an important tool American employers use to attract, retain, and build a skilled workforce. Despite its positive impact, the benefit has not been updated to respond to 21st century workforce needs since it was enacted in 1978. In fact, the \$5,250 exclusion has not been increased in over 40 years, even though more individuals entering the workforce are doing so with significant student debt.

Outlook: Representatives Rodney Davis (R-IL) and Scott Peters (D-CA) and Senators Mark Warner (D-VA) and John Thune (R-SD) have introduced *H.R. 1043/S. 460, the Employer Participation in Repayment Act*. These bipartisan, bicameral bills would expand Section 127 to include student loan repayment as a type of tax-free education assistance.

Representatives Danny Davis (D-IL) and Jason Smith (R-MO) have introduced H.R. 4849, *the Upward Mobility Enhancement Act*, to increase the monetary amount allowed under Section 127. This bill would increase the allowable amount under Section 127 to \$11,500 per calendar year, indexed for inflation. In the Senate, Senator Catherine Cortez Masto (D-NV) will be a lead sponsor and is currently working to identify a Republican champion.

On March 27, 2020, President Trump signed *the Coronavirus Aid, Response, and Economic Security Act "CARES Act"* into law. The legislation includes a provision allowing employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after the date of enactment and before January 1, 2021.

SHRM Position: SHRM strongly supports Section 127 benefits as well as efforts to increase the monetary limits and scope of Section 127 to include student loan repayment. Providing employers with the flexibility to support employees throughout the education lifecycle gives the American worker more options when making education-related decisions. Providing tax-free education assistance is vital to strengthening higher education, allowing employers to attract the best employees, and positioning the U.S. to compete globally by building an educated workforce.

SHRM chairs the Coalition to Preserve Employer Provided Education Assistance, bringing together a broad cross section of nearly 100 organizations representing employers, labor and higher education, all committed to preserving employer-provided education assistance. For more information, visit www.cpepea.com.

If you have questions regarding SHRM's position on employer-provided education assistance, please contact SHRM Vice President of Public Policy, Chatrane Birbal, at Chatrane.Birbal@shrm.org.

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