



## Expansion of Section 127, Employer-Provided Education Assistance

### Limit Increase

October 2017

**Background:** Section 127 of the Internal Revenue Code (IRC) allows an employee to exclude from income up to \$5,250 per year in educational assistance provided by their employer for courses at the associate, undergraduate and graduate level. Although Section 127 assistance is a voluntary benefit offered by employers, an employer that chooses to provide these benefits to his/her employees must do so on a nondiscriminatory basis that does not favor highly compensated employees. Congress extended Section 127 nine times since it was created in 1978, and finally made the provision permanent, due in large part to SHRM's efforts, with the passage of the American Taxpayer Relief Act (Pub.L. 112-240) on January 1, 2013.

**Issue:** While providing tax-free educational assistance is an important tool employers use to attract, retain and build a skilled workforce, the amount employers can offer tax-free is inadequate. In fact, the amount of \$5,250 has not been increased in nearly 40 years. To address this issue, Senators Jeff Flake (R-AZ) and Catherine Cortez Masto (D-NV) and House members, Representatives Jason Smith (R-MO), Rodney Davis (R-IL), Henry Cuellar (D-TX), Susan DelBene (D-WA) and Danny Davis (D-IL) have introduced [S.2007/H.R. 4135](#), the Upward Mobility Enhancement Act, to increase the amount allowed under Section 127. The Legislation would allow employers to voluntarily provide up to \$11,500 per calendar year in education assistance for their employees. This amount will be indexed for inflation.

**Position:** The Coalition strongly supports efforts to expand the monetary limits and scope of Section 127. Providing employers with the flexibility to offer support throughout a variety of stages in the education lifecycle gives employees choices when making education related decisions. Additionally, providing tax-free educational assistance is an important tool for furthering higher education, allowing employers to attract the best employees, and building an educated workforce to continue to position the U.S. to compete globally.

**About the Coalition:** The Coalition to Preserve Employer Provided Education Assistance is a broad-based group of organizations, companies and associations dedicated to ensuring the tax protection of employees who wish to take advantage of an employer's tuition assistance program.

***Talking Points:***

**Maintaining and Strengthening Section 127 of the U.S. Internal Revenue Code is imperative because it:**

- Incentivizes employer investment in their employees' education and continuous development of new skills. This ensures that American business can remain competitive in a global economy;
- Facilitates educational advancement and motivates employees to pursue additional training and education without fear of tax consequences;
- Strengthens one of the most effective tools available for employers to invest in and build a skilled workforce;

**When meeting with your Member of Congress please be sure to:**

- Make the ask! Ask your Member to support **S.2007/H.R. 4135 that would increase the amount employers can provide their employees towards tuition assistance, tax-free.**