



Expansion of Section 127, Employer-Provided Education Assistance Student Loan Repayment Benefit

August 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 the Coalition'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 for employers to attract, maintain and build a skilled workforce, it is important that this benefit now be expanded to include student loan repayment. Increasingly, individuals entering the workforce need assistance with repayment of student loan debt. This debt often precludes workers from contributing to personal savings and more importantly, retirement savings plans. According to a 2016 Lending Tree study, 40 percent of Millennials say that they have not saved anything for retirement. Considering that Millennials graduate with an average of \$37,172 in student loan debt, having an employer that provides a student loan repayment benefit can not only help to mitigate this challenge, but also assist employers as they recruit and retain top talent.

To address this issue, [H.R. 795, the Employer Participation in Student Loan Assistance Act](#) was introduced in the House by Representatives Rodney Davis (R-IL), Jared Polis (D-CO), Scott Peters (D-CA) and Elise Stefanik (R-NY). This bipartisan legislation would expand Section 127 of IRC to include student loan repayment as tax-free educational assistance. Employees would be able to exclude from tax up to \$5,250 per year in student loan repayment assistance provided by the employer. Currently, there are 91 bipartisan co-sponsors of the legislation.

Position: The Coalition strongly supports maintaining and strengthening Section 127 for associate, undergraduate and graduate degrees. We support efforts to expand the monetary limits and scope of Section 127 to include student loan repayment. 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. economy to compete globally.

About the Coalition: The Coalition to Preserve Employer Provided Education Assistance is a broad-based coalition of groups representing business, labor and education dedicated to preserving and expanding Section 127.

Talking Points:

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

- Provides employers with additional opportunities to support employees throughout a variety of stages in the education lifecycle and gives employees choices when making education related decisions;
- Facilitates educational advancement and employer investment in their employees' education and continuous development of new skills and;
- Strengthens one of the most effective tools available for employers to invest in and build a skilled workforce.

Please support [H.R. 795, the Employer Participation in Student Loan Assistance Act](#) by co-sponsoring the legislation!