



Tax-Free Employer Reimbursement of Student Loan Repayments

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Employers can provide employees up to \$5,250 annually in tax-free education assistance through an educational assistance program under IRC 127. Historically, educational assistance programs were limited to payments for an employee's current educational expenses such as tuition, fees and textbooks. For 2020, the CARES Act expanded education assistance so that an educational assistance program could also cover payment or reimbursement of an employee's student loans. The Consolidated Appropriations Act of 2021 extends through 2025 the ability to treat reimbursement of student loan payments as tax-free under IRC 127. As the economy rebounds, adding or expanding this benefit through an educational assistance program may be an attractive way to recruit and retain dedicated employees. Read our full alert for more details.