



The Employer Participation in Repayment Act

A bill introduced by Senator Warner (D-VA) and Thune (R-SD) and passed into law to allow employers to provide tax-free student loan assistance for their employees. The benefit was passed into law on a bipartisan basis to last through December 31, 2025.

The Problem:

As previously constructed, the Employer Education Assistance Program only provided assistance for workers who were seeking additional education, but did not benefit individuals who already have incurred student loan debt in the course of their undergraduate and graduate careers.

What the newly passed law accomplishes:

The bill expands the program to allow employers to contribute tax-free dollars towards their employees' student loans. Modernizing the program to better meet the needs of today's workers will help individuals pay down their student loans and serve as a recruitment and retention tool for younger employees who are typically not large consumers of health care, retirement, and insurance benefits.

Background:

Nationwide, Americans owe more than \$1.7 trillion in student loans, outstripping credit cards and auto loans as the country's leading source of non-housing debt. For younger workers, this debt threatens their long-term financial security, including their ability to make asset purchases such as homes and vehicles.

The Employer Education Assistance Program – as outlined in section 127 of the Internal Revenue Code – allows employers to provide up to \$5,250 per year in tax-free education assistance benefits. Thanks to the expansion passed by Senators Warner and Thune's bill, these expenses now include not only tuition, fees, and books for ongoing post-secondary education, but also includes payments by an employer to the employee or to a lender, of principal or interest on any qualified education loan.



How to Access the Benefit:

Employers must have a written education assistance plan. Such a plan must not discriminate in favor of highly compensated employees nor can it provide eligible employees a choice between accessing educational assistance and other remuneration includible in gross income. Businesses can deduct these costs as a business expense in determining their income tax liability, however, employers cannot use the same educational expenses paid for as the basis of other federal tax benefits (such as the Lifetime Learning Credit).

Businesses can either collect information on employees' loans to pay lenders directly, or they can verify funds are being used to pay student loan debt after adding the benefit to employees' paychecks. Only the first \$5,250 per year is tax-free, inclusive of both tuition assistance and student loan assistance. For more details, see 26 U.S.C. Section 127 – Educational Assistance programs, [Pub 15-B \(2023\)](#) (The 2023 Employer's Tax Guide to Fringe Benefits), and [Pub 970](#) (Tax Benefits for Education, Chapter 10).

Support:

NEA, AFT, American Association of Community Colleges, AFSCME, Association of Big Ten Students, Association of Community College Trustees, National Association of College and University Business Officers, NAICU, the Society for Human Resource Management (SHRM), and UAW.

“In today’s competitive job market, leading-edge benefits are the most powerful tool employers can wield to attract and retain talented workers. At SHRM, we advocate for efforts that create better workplaces and a better world. We strongly support the Employer Participation in Repayment Act. Expanding employer education assistance helps address the skills gap, which is holding back both workers and employers. When employers are able to help workers pay off student debt, more people will have confidence to pursue higher education and better prepared to fill high-skilled fields,” **said Johnny C. Taylor, Jr., SHRM-SCP, President and Chief Executive Officer.**

If you have any questions, please contact Aiyha Abdelbagi in Senator Warner’s office at Aiyha_Abelbagi@warner.senate.gov or (202) 224-2023.