

COMPLIANCE BULLETIN



Educational Assistance Programs Can Help Pay Student Loans Through 2025

The IRS is [reminding](#) employers who offer educational assistance programs that they can also use them to help pay for their employees' student loans. Though educational assistance programs have been available for many years, the option to use them to pay for student loans has only been available for payments made after March 27, 2020. Under current law, this student loan provision is set to expire **Dec. 31, 2025**.

Traditionally, educational assistance programs have been used to pay for employees' books, equipment, supplies, fees, tuition and other education expenses. These programs can now also be used to pay principal and interest on an employee's qualified education loans. Payments made directly to the lender, as well as those made to the employee, may qualify.

In most cases, educational benefits are excluded from federal income tax withholding, Social Security tax, Medicare tax and federal employment (or FUTA) tax. By law, tax-free benefits under an educational assistance program are limited to **\$5,250 per employee per year**, and assistance provided above this level is typically taxable as wages.

Action Steps

As employees increasingly look to their employers for student loan assistance, employers who don't have an educational assistance program may want to consider establishing one to take advantage of the current student loan provision. Fringe benefits, such as educational assistance programs, can help employers attract and retain qualified workers. In addition, by offering student loan support, employers can show employees they are valued and provide them with much-needed financial assistance and support, which may increase employee productivity, engagement and happiness.

Program Requirements

An educational assistance program is a separate written plan that provides educational assistance to employees. Two key requirements are that these programs must:

- ☒ Be in writing; and
- ☒ Cannot discriminate in favor of highly compensated employees.

For information on other requirements, see IRS [Publication 15-B](#), Employer's Tax Guide to Fringe Benefits, or [Publication 970](#), Tax Benefits for Education.

Important Dates

March 27, 2020

The option to use educational assistance programs to pay for employees' student loans became available for payments made after this date.

Dec. 31, 2025

The ability to use educational assistance programs to pay for student loans is currently set to expire on this date.

