



Employer-Provided Education Assistance

November 2018

Produced by the SHRM Government Affairs Department

Background: Employer-provided education assistance (also known as “Section 127” of the Internal Revenue Code) allows an employee to exclude from income up to \$5,250 per year in education assistance provided by his or her employer for courses at the associate, undergraduate and graduate level. In today’s competitive workforce, a comprehensive employer-sponsored benefits package is a key component that employers use to attract and retain top talent. Employers carefully construct a benefits package that reflects the needs and demands of their specific workforce.

Issue: The federal government estimates that there are 44 million Americans with student loan debt, bringing the total U.S. student debt burden to more than \$1.5 trillion. While providing tax-free education assistance is an important tool employers use to attract, retain and build a skilled workforce, the benefit has not been updated since it was enacted in 1978 to respond to 21st century workforce needs. In fact, the amount of \$5,250 has not been increased in 40 years. In addition, individuals entering the workforce are graduating with a significant amount of student debt.

Outlook: Congress will likely consider a Tax Reform 2.0 or “extenders” package before year-end. As lawmakers take up tax-related proposals, it is likely that bipartisan, bicameral proposals to increase and expand Section 127 could be attached to a viable legislative vehicle.

Representatives Jason Smith (R-MO), Rodney Davis (R-IL), Henry Cuellar (D-TX), Susan DelBene (D-WA) and Danny Davis (D-IL) and Senators Jeff Flake (R-AZ) and Catherine Cortez Masto (D-NV) have introduced H.R. 4135/S. 2007, the Upward Mobility Enhancement Act, to increase the amount allowed under Section 127. These bipartisan bills would increase the allowable amount under Section 127 to \$11,500 per calendar year and index for inflation.

Representatives Rodney Davis (R-IL), Jared Polis (D-CO), Scott Peters (D-CA) and Elise Stefanik (R-NY) have introduced H.R. 795, Employer Participation in Student Loan Assistance Act. A similar bill—S. 796, Employer Participation in Repayment Act of 2017—was introduced by Senators Mark Warner (D-VA) and John Thune (R-SD). These bipartisan bills would expand Section 127 to include student loan repayment as a type of tax-free education assistance.

SHRM Position: SHRM strongly supports Section 127 benefits. As such, SHRM supports efforts to increase 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 education 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.

SHRM chairs the Coalition to Preserve Employer Provided Education Assistance, which brings together a broad cross-section of nearly 100 organizations representing employers, labor and higher education, all of which are committed to preserving employer-provided education assistance. For more information, visit www.cpepea.com.

Talking Points:

- Strengthening and expanding Section 127 is imperative because it:
 - Addresses the Skills Shortage: HR professionals use training of existing employees to fill open positions. By investing in their existing talent pool, employers have seen a return on investment of more than 100 percent.
 - Ensures Global Competitiveness: According to SHRM's *2018 Employee Benefits* survey report, 51 percent of employers provide undergraduate tuition assistance and 49 percent offer graduate assistance. This benefit facilitates investment in the workforce and ensures a talent pipeline as employers look to innovate and compete globally.
 - Supports Public-Policy Priorities on Worker Training: Strengthening and expanding employer-provided education assistance supports government efforts to encourage employer investment in training and development.
 - Promotes Upward Mobility for Employees: Employees who take advantage of employer-provided education assistance improve their opportunities for upward mobility and wage growth. Entry-level and mid-management education assistance recipients received, on average, a 43 percent incremental wage increase over a three-year period as compared to non-recipients.
 - Encourages Savings for Life Milestones: By 2025, Millennials will represent nearly 75 percent of the workforce. Yet, unlike previous generations, they will struggle to purchase a home, save for retirement and pay for health care. That's because 70 percent of college students are graduating with a significant amount of student debt. Increasing and expanding Section 127 will alleviate financial burdens and will encourage savings.
- SHRM supports efforts to preserve and expand Section 127, including expansion for student loans (H.R. 795/S. 796) and an increase of the yearly allowable limit (H.R. 4135/S. 2007).
- **TELL YOUR STORY:** *In your meetings with policymakers, describe your employees' experience with employer-provided tuition assistance. How have your employees benefited from Section 127? How would increasing the benefit assist your workforce?*

All contents copyright 2018, SHRM. This document may be reprinted provided the following is included: "Copyright 2018 SHRM. Reprinted with permission." For more information, call 1-800-283-7476. If you have questions regarding SHRM's position on employer-provided education assistance, please contact Chatrane Birbal at Chatrane.Birbal@shrm.org.