

# TAX REFORM AND HIGHER EDUCATION

What Students, Families, and Institutions Need to Know

## Talking Points: Employer-Provided Education Assistance (Section 127)

**Issue:** Section 127 of the Internal Revenue Code allows an employee to exclude from income up to \$5,250 per year in assistance provided by their employer for any type of educational course at the associate, undergraduate, and graduate level. Employers are not required to provide assistance under Sec. 127 to their employees. However, if an employer chooses to do so, the benefit must be offered to all employees on a nondiscriminatory basis that does not favor highly compensated employees. After numerous extensions since the benefit was created in 1978, Congress finally made the provision permanent in 2012. However, the annual limit of \$5,250 has not been increased in almost 40 years.

**Position:** The Higher Education community along with the many organizations in the Coalition to Preserve Employer Provided Education Assistance (CPEPEA) strongly supports maintaining and strengthening Sect. 127 for associate, undergraduate, and graduate degrees. The CPEPEA is a broad-based collection of groups representing business, labor, and education, dedicated to preserving Sec. 127, increasing the annual benefit amount, and expanding the uses of the benefit to include both tuition assistance and loan repayment assistance. We believe that 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.

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

- Strengthening Sec. 127 to include loan repayment assistance would allow employee choice between tuition expenses or loan repayment;
- Strengthening Sec. 127 by increasing the annual benefit limit and indexing it for inflation would reflect current education and loan costs and the needs of working students;
- Strengthening Sec. 127 by expanding eligible participants to include spouses and children would not only make 127 a more generous family tax benefit, but would strengthen the benefit package offered by employers significantly;
- It demonstrates the U.S. government's strong support for educational advancement and for employer investment in their employees' education and continuous development of new skills;
- Tax provisions that encourage employer-provided education assistance are among the most effective tools available for employers to attract the best employees and build a skilled workforce;
- It works to fill a STEM skills shortage. Almost 20 percent of Sec. 127 recipients are pursuing science, technology, engineering, and mathematics (STEM) degrees;
- It is proven to be effective. Hundreds of thousands of individuals benefit from Sec. 127 annually. (IPEDS data)