

Abstract: One popular fringe benefit that an employer can offer is an education assistance program that allows employees to continue learning, and perhaps earn degrees, with financial help from the employer. A business can attract, retain and motivate employees by providing these benefits so that team members can improve their skills and gain additional knowledge. An employee can receive, on a tax-free basis, up to \$5,250 each year from his or her employer under a “qualified educational assistance program.”

Education benefits help attract, retain and motivate your employees

One popular fringe benefit that an employer can offer is an education assistance program that allows employees to continue learning, and perhaps earn a degree, with financial help from the employer. Your business can attract, retain and motivate employees by providing education benefits that enable team members to improve their skills and gain additional knowledge. An employee can receive, on a tax-free basis, up to \$5,250 each year under a “qualified educational assistance program.”

For this purpose, “education” means any form of instruction or training that improves or develops an individual’s capabilities. It doesn’t matter if it’s job-related or part of a degree program. This includes employer-provided education assistance for graduate-level courses, as well as courses normally taken by individuals pursuing programs leading to a business, medical, law, or other advanced academic or professional degree.

More requirements

The educational assistance must be provided under a separate written plan that’s publicized to your employees and meets specific conditions. A plan can’t discriminate in favor of highly compensated employees.

In addition, not more than 5% of the amounts paid or incurred by the employer for educational assistance during the year may be provided for individuals (including their spouses or dependents) who own 5% or more of the business.

No deduction or credit can be claimed by an employee for any amount excluded from the employee’s income as an education assistance benefit.

Job-related education

If you pay more than \$5,250 for educational benefits for an employee during the year, that amount must be included in the employee's wages and he or she must generally pay tax on the amount over \$5,250. However, in addition to, or instead of applying, the \$5,250 exclusion, an employer can satisfy an employee's educational expenses on a nontaxable basis if the educational assistance is *job-related*. To qualify as job-related, the educational assistance must:

- Maintain or improve skills required for the employee's then-current job, or
- Comply with certain express employer-imposed conditions for continued employment.

"Job-related" employer educational assistance isn't subject to a dollar limit. To be job-related, the education can't qualify the employee to meet the minimum educational requirements for his or her employment or other trade or business.

Educational assistance benefits meeting the above "job-related" rules are excludable from employees' income as working condition fringe benefits.

Assistance with student loans

Some employers also offer student loan repayment assistance as a recruitment and retention tool. Starting in 2024, employers can help more. Under the SECURE 2.0 law, an employer will be able to make matching contributions to 401(k) and certain other retirement plans with respect to "qualified student loan payments." The result of this provision is that employees who can't afford to save money for retirement because they're repaying student loan debt can still receive matching contributions from their employers.

Contact us to learn more about setting up an education assistance or student loan repayment plan at your business.