



*This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.*

## **Educational Assistance Program Expanded to Cover Loan Repayments Through 2025**

Section 127 of the Internal Revenue Code (“IRC”) permits employers to establish an educational assistance program (“EAP”) and defines how an employer may use an EAP. An employer can use an EAP to provide “educational assistance” to employees up to \$5,250 a year. Such payments will not be considered income to the employee for tax purposes, so no income taxes will be owed by the employee on this assistance.

Educational assistance was originally defined as:

- Payments for tuition, fees, and similar payments, books, supplies, and equipment, and
- Employer-provided courses of instruction for an employee (including books, supplies, and equipment).

Educational assistance does not include:

- Payment or providing tools or supplies which may be retained by the employee after completion of a course of instruction, or meals, lodging, or transportation, or
- Any payment for or providing any course or other education involving sports, games, or hobbies.

“Educational assistance” was temporarily expanded by the CARES Act in 2020 to include qualified student loan repayment. The Consolidated Appropriations Act extended the timeframe of this expanded educational assistance definition through December 31, 2025. Employers who establish an EAP can now provide up to \$5,250 each year through 2025 (a total of \$26,250 per employee) income tax-free to an employee for the following educational assistance:

- Payments for tuition, fees, and similar payments, books, supplies, and equipment,
- Employer-provided courses of instruction for an employee (including books, supplies, and equipment), and
- Payment of principal or interest on any qualified education loan (as defined in section 221(d)(1) of the IRC) incurred by the employee for education of the employee whether paid to the employee or a lender.

One of the qualifications of an EAP to consider if you want to take advantage of this loan repayment option is that the benefit must be an additional employer contribution,

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not in lieu of employee compensation. In other words, employees cannot be given a choice between receiving normal compensation or and benefits under the plan. In addition, EAPs must have a written plan document, so if an employer doesn't have a program and plan now, it will need to work with a professional to adopt one. Employers with an EAP plan will likely need to amend their current plan document to provide for this new educational assistance benefit.