

**PBPA Podcast Transcript**  
***Exploring Options for Student Loan Repayment Benefits***  
***for a Thriving Nonprofit Workforce***  
(12:56 minutes)



Sireesha ([00:00](#)):

Changes in federal student loan forgiveness were a major topic throughout 2023. As employees grapple with repayment, your nonprofit could assist them with loan reimbursement through what is called an employee assistance program. Join us as Rob Daily with Kilpatrick Townsend explores how nonprofits can assist their employees with student loans, both in the short term with EAPs and the long term through other benefits.

Sireesha ([00:35](#)):

Hello and welcome to the PBPA Podcast. In each episode of the PBPA Podcast, we explore legal questions relevant to Georgia nonprofits. I'm your host Sireesha Ghanta, Counsel and Education Director at the Pro Bono Partnership of Atlanta. PBPA strengthens our community by engaging volunteer attorneys to provide nonprofits with free business legal services. We provide numerous free resources via our website, including articles and webcasts specific to Georgia nonprofits and their business legal concerns. We also provide direct legal services to our clients. For more information on client eligibility requirements, to apply to be a client or to access our vast learning center, visit our website at [pbpatl.org](http://pbpatl.org). Before we jump into this episode's topic, keep in mind that this podcast is general information, not legal counsel, contact your attorney for guidance on your nonprofits' specific situation.

Sireesha ([01:41](#)):

Rob Daley is an associate with Kilpatrick Townsend here in Atlanta, where he focuses his practice on employee benefits, including executive compensation and qualified retirement plans. We are thrilled to have someone so well-versed in benefits to guide us through employee assistance programs for our nonprofit listeners. Thanks so much for being here, Rob.

Rob ([02:08](#)):

Thanks for having me.

Sireesha ([02:09](#)):

So late last year, the IRS issued a reminder to employers about EAPs for student loans. To start off with, what is an EAP?

Rob ([02:19](#)):

Sure. So EAPs have been around for over over 40 years. These programs allow employers to offer tax advantage education benefits to employees of up to \$5,250 per individual per year.

Sireesha ([02:36](#)):

And how does the EAP benefit the employee?

Rob ([02:40](#)):

So the amounts in the EAP are given as a tax-free fringe benefit, which means that the benefit is not treated as taxable compensation subject to income tax withholding. So, alternatively, if an employee received a taxable reimbursement of the education expense, then the amount would be subject to withholding and would be much less. So say the the, the federal and state tax rate is 30%, then that same \$5,250 benefit would really be like a net benefit of \$3,600. So the, the payments in the EAP are, are very, are very tax advantageous to employees.

Sireesha ([03:25](#)):

Yeah, definitely. So tell us, what was the original intent of the EAP?

Rob ([03:32](#)):

Yeah. So traditionally, EAPs have been limited to tuition fees, books and course supplies. This benefit was really advantageous for employees who continue going to school while working full-time. But the main drawback was that the EAP was forward looking. It didn't provide any benefit to employees who previously paid for school. So employers, um, sorry, employEES, who had no interest in going to school and who had large amounts of student loans, for example, could not take advantage of this benefit historically.

Sireesha ([04:06](#)):

If they were started to cover fees like books and tuition, when were the EAPs expanded to include student loans that already occurred.

Rob ([04:16](#)):

So as, as part of the Covid Relief, Congress passed, uh, a bill called the CARES Act, which expanded EAPs to include student loan repayments from March 2020 to January 1st, 2021. This was later extended with an appropriations bill through December 31st, 2025. And, you know, I do not have a crystal ball, but I would expect that this provision will be extended past December 2025 and, uh, hopefully will be made permanent at some point.

Sireesha ([04:52](#)):

Okay. So it started with the Caress Act in 2020.,At least for now. will go through 2025. And potentially maybe beyond that. And what are some of the benefits of allowing student loan reimbursements through these EAPs?

Rob ([05:09](#)):

I saw a recent statistic that the total student loan debt in this country is over \$1.7 trillion. Uh, and for an individual family or employee, the student loan may represent a large part of their take-home pay or their largest expense. These loans are often a great source of worry for employees and their family. Additionally, since the mandatory federal student loans repayments have restarted in October, after the Covid Moratorium was ended, this, employees may feel the pinch of student loans even more. The EAP is really a great way to provide a cash benefit to employees who face student loan burden. Uh, and this is really the most direct way to provide a tax advantageous benefit to employees with student loans. The benefit also helps employers. The benefit may be a significant retention tool for employees who struggle with student loan payments, and it may be a unique benefit that employers can use to hire or recruit new workers.

Sireesha (06:20):

So it sounds like a lot of upsides there. A win-win situation. But there's always the flip side. What is the downside of allowing student loan reimbursements through EAPs?

Rob (06:30):

The main downside is that it is a substantial cash expense. It's employers who take advantage of the full \$5,250 limit may have to have a large amount of cash on hand to pay these reimbursements. It would of course be important to model or anticipate these cost projections, based on, you know, your expected participation rates. Uh, employers should balance this cost with their employee population when deciding whether to allow the benefit. Employers should consider whether their workforce is filled with employees with college or advanced degrees for whom this is an important issue. Or, you know, maybe it's not an important issue based on their demographics and education. And taking a step back, employers should really consider the opportunity cost of offering this benefit. And I, and by that I mean, what is the alternative to using this money? Could employers offer more subsidized health and welfare benefits? Could they offer a higher retirement match? Could they offer expanded benefit opportunities? And would those benefits be more valued by employees than student loan reimbursements? There's not an easy answer to this question, but employers should think about the structure of their benefits holistically when, when considering to add student loan reimbursements.

Sireesha (07:54):

So you mentioned that EAPs have been, available as a benefit for about 40 years, but the student loan reimbursement aspect has been around for, um, about three years now. What if an employer has had an EAP for a while and now they want to, expand it to add the benefit of the student loan reimbursement?

Rob (08:14):

Uh, if an employer already has an EAP, then it's a pretty easy process. You can talk to your advisor about amending your plan and sending out updated employee communications. The tricky part is implementing the change. It's important that employers realize that this might be a significant cash expense, so they should model out how much cash that they need to pay this benefit. It's also important to consider how employers will track the student loan payments. Will the employers verify that the payments made directly with the employees, or will they use a third party? Uh, it's sometimes awkward to ask your employee for student loan information, and employees might be skeptical to give that information directly to employers, but adding a third party would add some extra costs to administering the program.

Sireesha (09:06):

A lot of our listeners, Rob, are smaller organizations and they may not have robust benefits or HR departments to help with this. If a nonprofit doesn't already have an EAP, but are thinking that they might add this benefit, can you provide some outline of how do they do this?

Rob (09:27):

Yeah, so the first step is really to talk to an advisor, talk to somebody who has done this before, because there, there are a number of technical requirements. The most important thing, which I mentioned, is that you need a written plan document. Uh, the program also needs to not favor highly compensated employees, which is, you know, pretty much a fancy way of saying it needs to benefit all your

employees. It can't just benefit the top of the organization. The program should also not allow employees to receive cash or other benefits in lieu of this educational assistance. So if you, if you include this benefit, the employees can't choose to, you know, get extra cash if they don't wanna use this benefit, for example. Uh, and lastly, the employees should be given reasonable notice of the program through an in intranet or some other communication.

Sireesha ([10:25](#)):

That is some great guidance on EAPs. But can you tell me, are there any other benefits that an employer can offer for student loan assistance?

Rob ([10:36](#)):

Yeah, and it's maybe important to start with the easiest, which is to partner with an outside lender to offer student loan advice or consolidation or refinancing services. Often partnering will be of little or no cost to the employer and may significantly ease student loan payments for employees. It also often does not require any administration, but this benefit would obviously be much less valuable than a direct payment under an EAP. There's also a new retirement plan provision that allows employers to provide matching contributions and 401k and 403B plans on an employee's qualified student loan payments starting after December 31st, 2023. This, um, the key is that the employee must make the payment to be eligible for matching contributions. And, the way this works is a little bit different than an EAP. The loan must be for qualified higher education loan and must be for the employee, the employee spouse or dependent. But it's also, it might be a very useful opportunity for people who cannot defer money into a 401k or 403B plan, but still want to receive that employer match.

Sireesha ([11:57](#)):

So much great insight here and very helpful to know there are options for employers to assist their employees with their student loan obligations. Rob, thank you for sharing your time and expertise with us.

Rob ([12:10](#)):

Thank you so much.

Sireesha ([12:14](#)):

We hope that you found this episode of the PBPA Podcast to be informative and helpful. We add new episodes every month with short conversations about general, yet important legal information for Georgia nonprofits. Remember that this is not legal counsel. Talk to your attorney about your organization's specific concerns. Thanks for tuning into the PBPA Podcast. And to all nonprofits listening out there, thank you for all the good work you continue to do in our community.