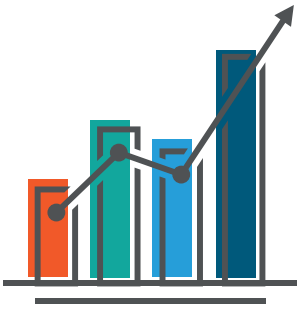
BenefitEd™



Why Employers Should Expand Their Education Benefits

In 2020, the CARES Act took a major step in modernizing federal statutes around education benefits. There is a need to continue the momentum.



Section 127 was originally passed in 1978, and was the first federal law that incentivized employers to provide education benefits for their employees. The intention of the law is to assist employees in obtaining their education in conjunction with their job. Section 127 allowed employers to reimburse their employees for tuition on a tax-free basis up to $5,250/year. In 1978, $5,250/year covered tuition at Harvard and most four-year colleges. Unfortunately, the cost of college has risen 1,200% since 1980, and in 2021 the amount an employer can reimburse on a tax-free basis is still $5,250.

Section 127 was made a permanent part of the Internal Revenue Code in 2012, and in 2020, with the CARES Act, Congress took a huge step in modernizing this benefit by adding student loan repayment to the law. Many employers are willing to educate good employees, but many others still require a particular degree to obtain a job.

Allowing tax-free payments for tuition or student loans lets employers incentivize good employees, but also helps employers recruit and retain those who already have the education and credentials they need. Education benefits have an opportunity to be part of the solution around the student debt crisis and labor shortage, but to become relevant, the current cap needs to change.



Unemployment in the U.S.

In fall of 2021, the unemployment rate in the U.S. fell to 4.8%, which is at or close to levels that most consider full employment. This is a major indicator that companies need assistance in recruiting and retaining workers. The last six months have given other indications that the need for workers among U.S. employers is at a distressing level.

Whether it is retail locations having to close for weeks at a time, restaurants forced to reduce their hours, schools not having enough bus drivers, nursing shortages, or other stories, it's clear that employers need to do more than ever have to fill positions. Education benefits are a piece of solving these employment issues.

The Return of Repayment

As student loans go back into repayment on February 1, 2022, student loans will again become a financial stressor for many of the 40+ million Americans who have been on administrative forbearance since the beginning of the pandemic. This will create further demand from employers to address the education and student debt related needs of their employees. The average monthly payment for student loan is around $400.

States Are Stepping Up

An expected trend in the next 5-10 years is that many states will fill the gaps where the federal government isn't meeting the need of the employers in their state. 33 bills in 19 states have been introduced in the last few years that deal with taxes and student loans at a state level, specifically employer tax credits for contributions to student loans have been introduced in many states. Many of those tax credits would give employers a tax credit equal to 50% of the amount they contribute to their employees' student loans.

Moving Forward

While there is clearly momentum for employers doing more to assist in the education needs of their employees, creating a tax-free mechanism is incredibly important to most employers. The current limit of $5,250/year is not adequate to allow employers to assist. The Upskilling and Retraining Assistance Act will give employers the option to participate in the needs of their employees with amounts that will make a huge difference to their employees, but also help employers achieve their recruitment and retention goals at the same time.

Learn how to put BenefitEd to work for your employees by visiting youbenefited.com, calling 844.358.5707, or emailing support@youbenefited.com.



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About BenefitEd

BenefitEd offers customized employer-assisted student loan repayment programs and college savings programs to employers looking to build highly competitive, differentiated benefits packages. We offer these programs direct to employers, through benefit brokers, and white label solutions.

BenefitEd™

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