



Protect and Expand Employer-Provided Education Assistance (Section 127)

The 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 Section 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.

Our 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 Section 127 for associate, undergraduate and graduate degrees. CPEPEA is a broad-based collection of groups representing business, labor and education, dedicated to preserving Section 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

- Strengthening Sec. 127 to include loan repayment assistance would allow employees to choose 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 also significantly strengthen the benefit package offered by employers;
- Strengthening Sec. 127 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 helps fill a STEM skills shortage — almost 20 percent of Section 127 recipients are pursuing science, technology, engineering and mathematics degrees;
- It's proven to be effective — according to IPEDS data, hundreds of thousands of individuals benefit from Sec. 127 annually.

About CUPA-HR:

CUPA-HR serves as the voice of human resources in higher education, representing more than 23,000 human resources professionals and other campus leaders at almost 2,000 colleges and universities across the country, including 93 percent of all United States doctoral institutions, 78 percent of all master's institutions, 56 percent of all bachelor's institutions and almost 700 community colleges and specialized institutions.