



## **Section 127 Employer-Provided Education Assistance**

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*Produced by the SHRM<sup>®</sup> Government Affairs Department*

### ***Background***

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. Congress has extended Section 127 nine times since it was created in 1978, most recently in 2010. Section 127 will expire at the end of this year unless Congress acts to renew it or make it permanent.

### ***Issue***

Providing tax-free educational assistance is an important tool for employers. Section 127 helps to build and maintain an increasingly skilled workforce, and positions the United States to remain competitive in the global economy. Almost 20 percent of Section 127 recipients are pursuing science, technology, engineering and mathematics (STEM) degrees. More than 35 percent of all degrees pursued by Section 127 beneficiaries are master's degrees and according to the National Postsecondary Student Aid study of the most recent data, use of Section 127 benefits has doubled since 1994. Today, more than 1 million employees use Section 127 benefits.

### ***Status***

Over the past few years, there have been several failed attempts to make Section 127 benefits permanent. Attempts to extend or make permanent any tax reductions will be difficult in the current political environment due to concerns about the rising federal deficit. An extension of Section 127 would likely need to be part of a larger tax reform package. Until a larger package comes together, SHRM is in support of a stand-alone bill, H.R. 4137, which was introduced by Representatives Sam Johnson (R-TX) and Richard Neal (D-MA)

### ***SHRM Position***

SHRM chairs the Coalition to Preserve Education Assistance, a broad-based collection of groups representing business, labor and education groups. SHRM strongly supports the permanent extension of Section 127 for associate, undergraduate and graduate degrees. We believe that providing tax-free educational assistance is an important tool for employers to attract the best employees, build a skilled workforce, and position the U.S. economy to compete globally.

## *Talking Points*

- ◇ SHRM strongly supports permanent extension of Section 127 employer-provided education benefits. Tax provisions that encourage employer-provided education and training are among the most effective tools available for employers to attract the best employees and build a skilled workforce.
- ◇ During this economic downturn, tax policies should encourage employers to invest in the training and development of their employees. Making Section 127 permanent will demonstrate the U.S. government's strong support for employers to invest in their employees and to promote continuous development of new skills.
- ◇ According to the SHRM 2011 Benefits Survey, employers contribute an average of \$4,563 towards their employee's education. 58% percent of companies offered undergraduate educational assistance, and 54% offered graduate educational assistance.
- ◇ Repeatedly extending Section 127 rather than making it permanent, causes a great deal of confusion for employees who are not sure they can rely on the tax-free benefit and for employers seeking to rework payroll systems or change training programs.
- ◇ Please encourage your Congressional staff member to have his or her Representative cosponsor H.R. 4137, the Employee Educational Assistance Act of 2012. The bill was introduced by Representatives Sam Johnson (R-TX) and Richard Neal (D-MA) and is supported by a diverse coalition of education, labor and business interests.
- ◇ **TELL YOUR STORY:** *If your workplace offers educational benefits and you have seen employees use this benefit, tell about your experience.*