



## **Student Loan Tax Free Repayment Programs For Employers**

In 2020, Congress passed the Consolidated Appropriations Act which allowed for a tax-free student loan program for employers. Through December of 2025, an employer is allowed to pay up to \$5,250 annually towards an employee's outstanding student loan debt and those funds will be non-taxable for both the employee and the employer.

A few things to know about the program:

- The benefit must be an additional employer contribution which means that the program can't be used as a replacement for taxable income.
- The program cannot favor highly compensated employees and no more than 5% of the benefits can be provided to shareholders or owners.
- An employee may not receive more than \$5,250 a year from all employers combined
- Employers must provide reasonable notification of the availability and terms of the program to eligible employees.
- An employer may exceed \$5,250 per year in loan payments but any payments above that amount will be taxable.
- Only qualifying student loans are eligible for tax-free status.

This can obviously be an aid in attracting and retaining top talent, but with any program it is important that it will stand up to IRS scrutiny. While we are aware of the program, we aren't qualified to aid in the formation of it. We recommend that you consult with your Accountant and/or Tax Professional if you wish to pursue this program.

Since this a non-taxable transaction, it really isn't necessary to run this through payroll. However, we are happy to create a transaction if you would find it helpful for tracking and reporting purposes. ELM would not be billing or retaining any funds and payments would need to be made by the employer as designated by the program.

Thank You!

Your Staff at ELM