

HOW TO IMPLEMENT A TUITION LOAN PROGRAM

IRC § 127 allows Employers to offer “Tuition Reimbursement” programs to their employees tax free. Here are some details on how to set this program up for your employees.

BASIC PLAN REQUIREMENTS

In order to create a Tuition Reimbursement Plan, the IRS requires the plan to meet all of the following requirements



WRITTEN PLAN



BENEFIT CAP



NON-DISCRIMINATORY



NOTIFICATION



OWNERS RESTRICTED

WRITTEN PLAN



Your Tuition Assistance Plan Must Be in Writing, and should outline the program terms and requirements. Employees participating should sign the agreement.

ANNUAL TAXES

\$52,000	Annual Salary
\$3,978	FICA Taxes
\$4,316	Federal Taxes
\$1,055	State Taxes
\$520	Local Taxes

An employee making \$52,000 per year could save \$1,000 annually in taxes and the employer could save \$401 in payroll taxes

NON DISCRIMINATORY



The plan must be available Employees on a non-discriminatory basis and cannot favor “highly compensated employees.”

ELIGIBLE EXPENSES

Under the CARES Act, the definition of “Educational Assistance” was expanded to allow for student loan payments.



Payment of any tuition, fees, or similar payments for courses taken by the employee.



Payments for principal or interest on any qualified education loan incurred by the employee for education of the employee



Provision of courses and instructions directly by the employer, including books, supplies, and equipment.



OWNER RESTRICTION

Any employee who has an ownership interest of more than 5% must not receive more than 5% of the total benefits offered

NOTIFICATION



All eligible employees must be notified so consider getting signatures or including it in your employee handbook