

Compliance Bulletin



Employer Student Loan Repayment Benefit Made Permanent



Since 2020, employers who offer educational assistance programs have been able to use them to help pay for their employees' student loans. While educational assistance programs have been available for many years to pay expenses such as books, equipment, supplies, fees and tuition, the option to use them to pay for student loans was set to expire on Dec. 31, 2025. However, the "[One Big Beautiful Bill Act](#)" (OBBA Act), enacted on July 4, 2025, **permanently extends this student loan provision**. As a result, employers may continue to use educational assistance programs to pay principal and interest on an employee's qualified education loans. Payments made directly to the lender, as well as those made to the employee, may qualify.

In most cases, educational benefits are excluded from federal income tax withholding, Social Security tax, Medicare tax and federal employment (or FUTA) tax. Under current law, tax-free benefits under an educational assistance program are limited to **\$5,250 per employee per year**, and assistance provided above this level is typically taxable as wages. Effective for taxable years beginning after 2026, the OBBA Act provides for **annual inflation adjustments to the \$5,250 limit**.

Program Requirements

An educational assistance program is a separate written plan that provides educational assistance to employees. Two key requirements are that these programs must:

- Be in writing; and
- Cannot discriminate in favor of highly compensated employees.

For information on other requirements, see IRS [Publication 15-B](#), Employer's Tax Guide to Fringe Benefits, or [Publication 970](#), Tax Benefits for Education.

Action Steps

As employees increasingly look to their employers for student loan assistance, employers who don't have an educational assistance program may want to consider establishing one to take advantage of the current student loan provision. Fringe benefits, such as educational assistance programs, can help employers attract and retain qualified workers. In addition, by offering student loan support, employers can show employees they are valued and provide them with much-needed financial assistance and support, which may increase employee productivity, engagement and happiness.