

Employer Student Loan Repayment Assistance

Frequently Asked Questions

What are the tax implications for the employer?

Currently the payment of student loan debt by an employer does not qualify as a tax-free fringe benefit under Section 127 of the federal tax code. The contribution is considered compensation paid by the employer to the employee and treated as a deductible business expense.

What are the tax implications for the employee?

The new Federal stimulus legislation included a provision that extends an employers ability to provide a student loan repayment benefit to employees on a tax-free basis until 2025. Under this provision, an employer may contribute a combined total of \$5,250 annually toward an employee's student loans, and/or education expenses (e.g., tuition, fees, books). Such payment would be excluded from the employee's income but is typically deductible by the employer. The provision applies to any student loan payments made by an employer on behalf of an employee after date of enactment through 2025.

What type of reporting is required to the IRS for this benefit?

Under current law, payments by an employer to an employee's student loan debt is considered "other compensation" by the IRS and is reported in Box 1 in IRS Form W-2 or a 1099 can be issued.

Due to the tax provision, contributions made through January 1, 2021 do not require reporting.

What is the status of this program with Congress and the IRS?

In February 2019, members of Congress reintroduced legislation that would let employers give tax-free student loan assistance up to \$5,250 per year per employee. That's the same amount that Section 127 of the tax code now treats as tax-exempt for employer-provided tuition assistance. The Employer Participation in Repayment Act (H.R. 1043) is co-sponsored by a bipartisan group of 224 House members. A companion bill (S.460) is before the Senate with 59 bipartisan co-sponsors.

Source: <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/pass-tax-relief-for-student-loan-repaymentbenefits-shrm-says.aspx>

Is there a minimum participation requirement for this service?

We do not require a minimum participation number, however there is a nominal minimum fee per contribution per company or organization. As a non-profit this fee is to cover the operating costs of the program.

Waived through March of 2021.

What resources will be required from our Human Resources or Payroll Departments?

Beyond the initial set up of the program, very little will be required from your Human Resources and/or Payroll departments other than adding or deleting participants from the program as needed. Additionally, an admin portal will be provided for all tracking and reporting purposes needed by members of your HR and/or Payroll team. Further support will be provided to your primary contact or administrator by a RISLA Client Support Representative for any assistance needed beyond the admin portal.

What is the implementation schedule and process to begin offering this program?

Implementation for this service takes approximately 3-4 weeks. This process begins with an Implementation Kick Off call with your Human Resources and/or Payroll administrators and the RISLA Client Support Representative, in which we will outline all deliverables and timelines. Deliverables include:

- Defining which employees will be eligible
- Defining how much student loan employee assistance will be provided
- Defining primary company contacts and administrative users
- Building and branding of your customized admin and employee portal
- Review and approval of the communication plan and materials to inform employees of this great new benefit

<https://www.risla.com/employer-repay>



- Training on the admin portal
- Providing your Go-Live date

How will employees track payments?

Employees will have secure access via login to your company branded portal showing all payment transactions made by you on their behalf. Additionally, employees will receive monthly payment confirmation notifications keeping them up to date on the progress being made by you to reduce their student loan debt.

What is the process for approving or removing an employee?

At any time during the month before the scheduled disbursement is made, your HR or Payroll designee will be notified of new employees that have signed up to participate in the program. If you determine they are eligible, just click the “Approve” box.

Previously approved employees can be deactivated by clicking the “Remove” button next to their name.

Additional assistance can be provided by Client Support Representative if needed.

What is the industry standard contribution?

As this financial wellness benefit is being offered by an increasing number of employers, there are various approaches and amounts for assistance. Contributions have been noted to start as low as \$50 per month and up to \$200 per month. Flexible contribution scheduling is possible as well with one-time and quarterly options being common. Companies also take varied approaches to the limits of the benefit, as some utilize a time frame limit (between 2 and 5 years) while others utilize a dollar amount limit per employee. Lastly, there can be a variation of eligibility, beginning as early as the hire date or a minimum time of service before becoming eligible for the benefit (such as after a minimum of six months of employment). But whatever approach you would like to take, we can implement for you. For more information on Employer Student Loan Repayment programs used at other companies, below are some recently published articles:

<https://www.risla.com/employer-repay>



- [Companies That Offer Employer Student Loan Repayment](#) (NerdWallet, 11/13/2019);
- [5 Reasons to Offer a Student Loan Repayment in 2019](#) (Benefitnews, 2019)
- [Which Employers Offer Student Loan Repayment](#) (US News, 07/01/2019)

Are there any alternative programs to help with student debt if employer contributions towards student loan repayment is currently not part of our employee benefit package?

Yes! If employer contribution for student loan repayment is not currently in your benefits expense budget, RISLA would be happy to partner with you. RISLA offers refinance benefits to exclusive employers through our student loan refinance program. Refinancing can reduce their current interest rates, change the repayment term, streamline and clarify monthly repayments, and/or reduce their monthly payments.

For CT companies, our strategic partnership with Connecticut Higher Education Supplemental Loan Authority (CHESLA) will provide access to their refinance and financial literacy programs.

How can our organization get started?

Request a demo or consultation at info.risla.com/request-a-demo. We will reach out to you to schedule an onsite meeting or conference call to answer any additional questions or concerns you may have.