

## **PCG Alert**

**Date: April 27, 2023**

**RE:** Tax Implication on Student Loan Repayments

**Attention Payroll Officers:**

**Please forward this alert to those in your Organization who need this information:**

Under Section 127 of the Internal Revenue Code (IRC), employers are allowed to provide tax-free payments of up to \$5,250 per year to eligible employees for qualified educational expenses. To be considered qualified, payments must be made in accordance with an employer's written educational assistance plan.

The Coronavirus Aid, Relief and Economic Security (CARES) Act amended Section 127 to include student loan repayment assistance as a qualified educational expense. Other educational expenses that qualify under Section 127 include:

- Tuition for graduate or undergraduate level programs, which do not have to be job-related
- Books, supplies, and necessary equipment, not including meals, lodging, transportation, or supplies that employees may keep after the course is completed

This provision is set to expire December 31, 2025. Once the \$5,250 allowance is met, expenses qualified under the written educational assistance plan must be taxed accordingly.

Please see Division of Accounting Payroll Compliance Group Bulletin related for more information on [Education Assistance/Tuition Reimbursement](#).

If you have any questions regarding imputed income, please contact Payroll Compliance Group, at [PCG.DOA@delaware.gov](mailto:PCG.DOA@delaware.gov)

PCG Alerts are posted on the DOA Website:

[http://accounting.delaware.gov/payroll\\_comp/communications.shtml](http://accounting.delaware.gov/payroll_comp/communications.shtml)