

Student Loan Repayment Benefits Are Now Tax-free

Repayments made by employers and their employees can now be made pre-tax up to \$5,250 annually, significantly increasing the power of contributions, and accelerating debt reduction

Gradifi by E*TRADE today applauded Congress' inclusion of key provisions of the Employer Participation in Repayment Act (H.R. 1043/S. 460) into a broad stimulus bill aimed at enhancing the US recovery from the COVID-19 epidemic.

“The Truth About Student Debt: 7 Facts No One Is Talking About”

The newly enacted statute will, among wider measures, offer tax relief for student loan repayment benefits programs. Employers are now able to make tax-free contributions of up to \$5,250 per employee annually toward employee student debt without raising the employee's gross taxable income. Under prior law, both employees and employers faced tax obligations when participating in student loan repayment benefits.

Following the US government's temporary halt on federal student loan interest charges, the passage of the bipartisan relief bill that was signed into law offers a path for employers to engage in long-term solutions for debt-strapped employees. Student debt has doubled in the last 10 years² and affects workers across all demographic categories: One in three Millennials carry student debt, 45 million parents hold student debt for their adult children, and senior citizens are the fastest-growing segment of student debt holders.

Many employers do not offer student loan benefits because the tax treatment created a burden for their employees and companies. This stimulus bill removes barriers for companies to enhance their employee financial wellness, recruitment, and retention offerings with pre-tax student loan repayment, and empowers employees to pay down their debt balances faster.

“We commend this decision by lawmakers to significantly help our nation's employees, providing a financial wellness lifeline amid these extremely difficult times,” said Mike Pizzi, Chief Executive Officer of E*TRADE

Financial. “This is a common-sense solution that will help employers attract, retain, and motivate a modern workforce. Student loan repayment benefits, now unburdened due to this new legislation, will undoubtedly play a key role in helping employees and employers work together to build healthy financial lives.”

“For many employees, financial success for tomorrow depends upon wise debt management today,” said Kate Winget, Managing Director of Gradifi by E*TRADE. “With the passage of this landmark legislation, now every penny contributed through employer student loan repayment benefits will go straight to paying down employee debt, pre-tax. This will allow many of the 46 million Americans who collectively owe more than \$1.6 trillion in student debt to take meaningful action.

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