

# IRS Issues Updated FAQs on Educational Assistance Programs

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April 29, 2026

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**PRACTICES** Employee Benefits and Executive Compensation

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The IRS recently released [Fact Sheet 2026-10](#), updating its frequently asked questions (“**FAQs**”) on educational assistance programs under Section 127 of the Internal Revenue Code. These revisions reflect amendments made by the One Big Beautiful Bill Act and include minor clarifications and an updated sample program document.

Under Section 127, employees may exclude up to \$5,250 per year from gross income (indexed for inflation for years after 2026) for eligible educational expenses paid or reimbursed by their employer. Employer-provided educational assistance benefits in excess of \$5,250 are taxable and included in employees’ wages and other compensation.

The FAQs highlight the following:

- **Program Requirements:** To qualify as a Section 127 educational assistance program, the employer must maintain a separate written plan, for the exclusive benefit of its employees, to provide such employees with qualifying educational assistance.
- **Permissible Educational Assistance Benefits:** Tax-free educational assistance benefits include payments for tuition, books, equipment, and principal or interest on qualified education loans incurred by employees. This provision, originally enacted as a temporary measure under the CARES Act beginning March 27, 2020, has now been made permanent by the One Big Beautiful Bill Act.
- **Nondiscrimination Requirements:** Although there are no specific employee income limits for receiving educational assistance benefits, a Section 127 educational assistance program cannot be designed in a way that favors employees who are officers, shareholders, self-employed, or highly compensated employees.

Plan sponsors should take this opportunity to review their educational assistance programs to ensure that plan documents, administrative procedures and payroll practices align with the IRS’s updated guidance.