

# IRS Reminder: Educational Assistance Programs Can Help Pay Employee's Student Loans

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**PRACTICES** Employee Benefits and Executive Compensation

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The IRS recently issued a news release with a reminder that employers may contribute up to \$5,250 annually per employee toward qualified student loan repayments if provided under a Section 127 educational assistance program.

Depending on how the educational assistance program is designed, an employer may provide tax-free payments of principal or interest on an employee's qualified education loans for the employee's own education. These payments can be made directly to the employee or the third-party educational provider or loan servicer.

This benefit was previously permitted for payments made after March 27, 2020, and before January 1, 2026. However, as we previously reported [here](#), the One Big Beautiful Bill Act permanently extended the tax-free student loan repayment provisions and set the \$5,250 annual amount to be annually indexed for inflation starting in 2026.

The IRS news release is available [here](#).