



FOR IMMEDIATE RELEASE

Employer Contributions to Student Loans Tax-Free for Employees
The Congressional Extension Allows Employees to Receive Contributions Free of Federal Income Tax Through 2025

WEST DES MOINES, IOWA (Jan. 22, 2021) — Tuition assistance benefits offered by employers have helped employees further their education without additional income tax liability for many years. Now, a new benefit can be offered to employees with existing student loan debt, also without incurring additional federal income tax liability for either party.

Thanks to recent action by Congress, employers may annually provide up to \$5,250 in contributions, which reduce student loan debt without federal tax consequences, for each employee. The extension is currently in place through Dec. 31, 2025. For employees, these programs and the tax benefits now available can decrease their loan indebtedness, shorten the time to fully repay their loan debt and significantly reduce the interest they must pay.

“This is an opportunity for employers to provide a benefit that employees, especially younger employees with large student loan balances, find relevant to their current life stage,” said Joe Bird, senior vice president at Aspire Resources Inc.[®], which works with employers on such programs. “It can become a recruiting tool for companies looking for college graduate candidates as well as a retention tool for quality staff.”

“Being able to receive employer contributions without federal income tax makes the benefit even more valuable to employees who are repaying educational debt,” said Bird. Prior to tax year 2020, employees were responsible for income tax on any student loan payments made by their employer.

According to consumer credit data from the Federal Reserve, Americans owed \$1.67 trillion in student loan debt in 2020, an amount that is projected to grow to \$2.64 trillion by 2030.

How Employer Payments Help Reduce Debt

Here's an example of how employer contributions toward student loans can be a real benefit to employees with existing student loan debt.

Kim borrowed \$30,000 in student loans at 6.00% interest. After graduation, she makes the first two payments of the 10-year repayment term. Kim then enrolls in a student loan benefits program through her new employer, where she continues to work throughout the life of her loans. Beginning with the third payment until her loans are repaid, her employer makes \$100 monthly contributions in addition to the payments Kim makes each month.

Without employer contributions:

Interest paid: \$9,967.20

Total repayment amount: \$39,967.20

Time to repayment: 10 years (120 months)

With \$100 monthly employer contributions to principal in addition to Kim's payments:

Interest paid: \$7,026.01

Total employer payments: \$8,400.00

Kim's total repayment amount: \$28,626.01

Time to repayment: 7 years, 2 months

With the employer assistance and the federal income tax benefit added to her own payments, Kim saves \$11,341.19 in costs and is able to fully repay her loan almost three years sooner. (This information does not include individual tax calculations, which vary by individual.)

Additional Information

To learn more, visit www.AspireResourcesInc.com or contact Aspire at (515) 273-7577.

###

About Aspire

Aspire Resources Inc. is a wholly owned subsidiary of Iowa Student Loan[®], an Iowa-based nonprofit corporation. Aspire offers College Finance Benefits, a suite of voluntary employee benefits to employers across the country. In addition, Aspire disburses private student loans on behalf of its partnering lenders and provides customer service on behalf of its external business partners and to borrowers with federal and private student loans. To learn more, visit www.AspireResourcesInc.com.

Media Contact

Christopher Weishaar
Digital Public Relations Specialist
(515) 273-7140
cweishaar@studentloan.org