



June 26, 2024

Support for Section 127 Reform

The Honorable Darin LaHood
U.S. House of Representatives
1424 Longworth HOB
Washington, DC 20515

Dear Representative LaHood:

On behalf of the Section 127 Coalition, we would like to congratulate you on your appointment to lead the House Ways & Means Committee's Tax Team on the American Workforce. We look forward to working with you on meaningful tax policy solutions in advance of the expiration of numerous tax provisions in FY 2025 critical for the long-term success and competitiveness of the American economy. On behalf of the Section 127 Coalition members listed below, we are asking for your help modernizing IRC Sec. 127 by increasing the annual tax-free benefit amount employers can offer employees to assist with education and training expenses.

The Section 127 Coalition is co-chaired by the National Association of Independent Colleges and Universities (NAICU) and the Society for Human Resource Management (SHRM) and represents a diverse array of nearly 60 organizations including trade associations, higher education institutions, and private employers. All members are dedicated to preserving and strengthening employer-provided educational assistance. Formed over thirty years ago, the coalition originally aimed to make Section 127 permanent in the tax code. Today, it advocates for extending and expanding this benefit to reach more employees.

The Section 127 Coalition respectfully requests you include the modernization of Section 127 of the Internal Revenue Code as a part of a package of tax proposals meant to benefit the American workforce. Section 127 allows employers to voluntarily offer up to \$5,250 per year in educational assistance for eligible education-related expenses, such as tuition or student loan assistance, as a tax-free employee benefit.

However, the amount of tax-free assistance under Section 127 has not been adjusted for inflation since 1986. While \$5,250 adequately addressed the costs of pursuing a four-year degree nearly 40 years ago, inflation has rendered this amount insufficient. Indexed with inflation, \$5,250 in 1986 would be \$15,000 in 2024. This outdated limit creates a barrier for American workers seeking to upskill or reskill through employer-provided educational assistance programs.

According to SHRM's 2024 Talent Trends Research, 57% of organizations offer tuition assistance as a benefit to their employees. Recent research by InStride shows that 73% of employees would be interested in utilizing a 100% funded education assistance program, but that number plummets to just 39% if an employee is on the hook to pay taxes on the amount of the benefit above \$5,250. This dramatically limits the adoption of employer programs, leaving employees without one of the few debt-free paths available to academic attainment.



Therefore, the Section 127 Coalition urges Congress to raise the current \$5,250 limit to reflect inflation and the current costs of education, better meeting the economic realities of today's workforce.

Currently, there are two bipartisan bills pending in the Ways and Means Committee supported by our coalition that would expand and modernize Section 127: The Upskilling and Retraining Assistance Act ([H.R. 6401](#)) and the Upward Mobility Enhancement Act ([H.R. 6402](#)), sponsored by Representatives Randy Feenstra and Danny Davis. We urge your consideration of these two proposals, as well as other modernizing provisions that would index the level to inflation, including graduate and undergraduate education eligibility, allow for a permanent extension to the inclusion of loan repayment programs in the Section, and enable funds covered by the Section to be used for books and education-related tools and equipment.

The Section 127 Coalition believes that providing tax-free educational assistance is essential for working students pursuing their educational goals and a crucial tool for employers to attract the best employees, positioning the U.S. economy to compete globally by building a skilled workforce.

As the leading voice on Section 127 tax reform, we would welcome a conversation with you or your staff to discuss this issue further. We believe Section 127 plays a vital role in supporting the American workforce, and we are committed to being a trusted partner as you develop meaningful tax policy solutions.

Sincerely,

The Section 127 Coalition

National Association of Independent Colleges and Universities
Society for Human Resource Management

American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
Chegg
College and University Professional Association for Human Resources
Consortium of Hospital-Affiliated Colleges and Universities
Council for Christian Colleges and Universities
Guild
HR Policy Association
InStride
Kettering College
Loyola University Chicago
National Association of College and University Business Officers
National Association of Independent Schools
National Association of Professional Employer Organizations
National Tooling and Machining Association



Precision Machined Products Association
Precision Metalforming Association

cc: American Workforce Tax Team, Representatives Mike Carey, Brad Wenstrup, Lloyd Smucker, and Brian Fitzpatrick.