September 07, 2017

The Hon. Kevin Brady
Chairman
House Committee on Ways and Means
1102 LHOB
Washington, DC 20515

The Hon. Richard Neal
Ranking Member
House Committee on Ways and Means
1139E LHOB
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal,

We write in support of H.R. 795, the Employer Participation in Student Loan Assistance Act, and ask Congress to include this important legislation in any upcoming tax package. Although we have additional tax reform-related priorities – such as simplifying and expanding the American Opportunity Tax Credit and preserving the value of the charitable deduction – that we are actively discussing with your fellow Members of Congress and their staffs, we would be remiss if we did not write specifically to articulate our appreciation for this bill.

Loans, grants, and tax benefits make college even more affordable for Americans and particularly for low- and middle-income families. In recent years, for a variety of reasons – including declining state support for educational institutions – students have been borrowing more to finance their higher education expenses. And although the tax code offers several incentives to encourage students to work towards and complete postsecondary degrees, there are few benefits that help these individuals to repay loans. When hard-working employees receive assistance to pay off their student loans, however, it frees up resources for them to buy homes, save for retirement, and even start their own new businesses. In turn, these transactions benefit the overall health and growth of the U.S. economy.

Section 127 of the Internal Revenue Code is a popular benefit that enjoys bipartisan support and enables employers to voluntarily provide tax-free education assistance to their employees. Under Sec. 127, employees can exclude from income up to $5,250 per year in assistance for any type of educational course at the undergraduate, graduate or certificate level.

This same benefit should be expanded to employees who have already incurred student loan debt. Congressmen Rodney Davis of Illinois and Scott Peters of California have introduced H.R. 795, the Employer Participation in Student Loan Assistance Act. This bill would provide employers with the flexibility to offer employees assistance towards their student loans or to provide tuition assistance towards continuing education. By expanding Section 127 to include student loan repayment, employees could receive a tax-exempt benefit of up to $5,250 per year by their employer to pay towards their student loan debt.

This benefit is a critically important tool for employers to attract and retain top talent to build a skilled workforce. Section 127 plays a key role in maintaining U.S. competitiveness and could, if
strengthened, become the premier employee benefit for tuition assistance and loan repayments among employers.

The importance of Section 127 is clearly evidenced by the broad bipartisan support for and nearly 100 co-sponsors of H.R. 795. For all of these reasons, we urge Congress to include this bill in any upcoming tax reform package. Thank you for your assistance in maintaining and strengthening this vital tax benefit.

Sincerely,

Matt Owens
Vice President for Federal Relations and Administration
Association of American Universities

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