



Lawmakers Aim Tax Credit at Student Loan Debt

Stephen K. Cooper

February 14, 2019

A bipartisan group of House and Senate lawmakers wants to give employers a tax credit to help workers erase their student loan debts.

The Employer Participation in Repayment Act, introduced February 13 by Senate Finance Committee members John Thune, R-S.D., and Mark R. Warner, D-Va., would allow tax-free employer contributions of as much as \$5,250 to pay off their workers' student loans.

Tax-exempt repayments of student debt will give employers a "new tool to recruit and retain a talented workforce while also helping working Americans manage their financial future," Warner said in a [statement](#) announcing the bill. A companion measure was [introduced](#) by Reps. Rodney Davis, R-Ill., and Scott H. Peters, D-Calif.

A summary for the bill indicates that student loan debt reached \$1.5 trillion last year and that the current reimbursement program under [section 127](#) is only applicable to enrolled students, not those who have already accumulated debt.

Support for Legislation

Several national education groups offered their support for the student loan measure.

David L. Warren of the National Association of Independent Colleges and Universities said improving this tax benefit will encourage more employer and employee participation and result in a "more educated and skilled workforce across the U.S."

Susan Whealler Johnston of the National Association of College and University Business Officers predicted that the Employer Participation in Repayment Act could become the benefit of choice for tuition assistance and loan repayments among employers.

The legislation is not without its critics, however.

Chris Edwards, director of tax policy studies at the Cato Institute, said rather than providing a tax credit to offset student debt, Congress should focus on increased competition and cost control in colleges and universities. "The Warner-Thune bill would likely add fuel to the fire of cost inflation in college education," Edwards told *Tax Notes*.