

# What's happening with Section 127?

Written by Donald Lassere, Senior Vice President, Scholarship America

As you may be aware, Section 127 of the U.S. tax code is set to expire at midnight on December 31, 2010. Section 127 allows employers to provide tax-free tuition reimbursements of up to \$5,250 per year. The provisions of Section 127 not only benefit employers and employees; they also benefit the country. Many individuals are using Section 127 tuition assistance to improve their skills in Science, Technology, Engineering and Math, collectively known as STEM. Without a highly educated populace in the STEM disciplines, the United States will continue its precipitous decline in the global marketplace.

As is stands now, Congress needs to act on maintaining the provisions of Section 127 during this current lame duck session of Congress. While there is much debate on the effectiveness of the current Congress, in past years, Congress has been effective during lame duck sessions. Lame-duck sessions have at times been used to complete action on stalled House and Senate bills. Currently there are two "pending" bills, one in the House and one in the Senate that could, if passed, make the provisions of Section 127 permanent. Representatives Earl Pomeroy, D-N.D, and Sam Johnson, R-Texas, have introduced the Employee Education Assistance Act of 2010 (H.R. 5600); Senator Chuck Grassley, R-Iowa, has introduced S.2851, a bill that includes making permanent certain education tax incentives and modifying rules related to college savings plans. As mentioned above, both of these legislation pieces would make the provisions of Section 127 permanent. It is our hope that Congress will take positive action during this current lame duck session to preserve the provisions of Section 127.

However, in this highly charged political environment, there remains a good possibility that Congress may fail to act on either the House bill or Senate bill. Therefore, corporations who currently have tuition assistance programs should make contingency plans just in case Section 127 is allowed to expire, particularly since these programs have become such a crucial cog in the Talent Development area for many corporations. While not optimal, there are other provisions in the U.S. tax code that may allow employees to take deductions for courses that are related to their employment. If you have not already done so, we strongly suggest you seek advice from your tax counsel on strategies to maintain your Talent Development efforts in the absence of Section 127.

## About the Writer

Donald Lassere is a senior vice president at Scholarship America and currently provides executive oversight for Scholarship Management Services (SMS). He joined Scholarship America after more than 20 years in the private sector. Mr. Lassere holds a Bachelors degree from the University of San Francisco, a MBA from Harvard Business School and a Juris Doctorate from Georgetown University Law Center. In addition, Mr. Lassere has completed course work in taxation at the University of Houston's Master of Laws program.