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## Employer-Provided Educational Assistance

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### Introduction

If you receive educational assistance benefits from your employer under an educational assistance program, you can exclude up to \$5,250 of those benefits each year. This means your employer should not include those benefits with your wages, tips, and other compensation shown in box 1 of your Form W-2. This also means that you do not have to include the benefits on your income tax return.



*You cannot use any of the tax-free education expenses paid for by your employer as the basis for any other deduction or credit, including the American opportunity credit, Hope credit, and lifetime learning credit.*

**Educational assistance program.** To qualify as an educational assistance program, the plan must be written and must meet certain other requirements. Your employer can tell you whether there is a qualified program where you work.

**Educational assistance benefits.** Tax-free educational assistance benefits include payments for tuition, fees and

similar expenses, books, supplies, and equipment. The payments may be for either undergraduate- or graduate-level courses. The payments do not have to be for work-related courses.

Educational assistance benefits do not include payments for the following items.

1. Meals, lodging, or transportation.
2. Tools or supplies (other than textbooks) that you can keep after completing the course of instruction.
3. Courses involving sports, games, or hobbies unless they:
  - a. Have a reasonable relationship to the business of your employer, or
  - b. Are required as part of a degree program.

**Benefits over \$5,250.** If your employer pays more than \$5,250 for educational benefits for you during the year, you must generally pay tax on the amount over \$5,250. Your employer should include in your wages (Form W-2, box 1) the amount that you must include in income.

**Working condition fringe benefit.** However, if the benefits over \$5,250 also qualify as a working condition fringe benefit, your employer does not have to include them in your wages. A working condition fringe benefit is a benefit which, had you paid for it, you could deduct as an employee business expense. For more information on working condition fringe benefits, see *Working Condition Benefits* in chapter 2 of Publication 15-B, Employer's Tax Guide to Fringe Benefits.