

SAMPLE EDUCATIONAL ASSISTANCE PLAN

1. [Your Company] has established an Educational Assistance Plan (“Plan”) to provide tax-free reimbursements for educational assistance payments pursuant to Section 127 of the Internal Revenue Code. The plan is available to all employees of [Your Company] under the conditions and limitations set below. However, employees are individually responsible for knowing the tax consequences of participating in this plan and should seek independent tax advice if needed.
2. The employee is not required to make any financial contributions to the company to receive benefits under this plan.
3. This plan does not offer other taxable benefits or compensation that can be chosen instead of educational assistance payments.
4. Qualified education payments include payments for tuition, fees, and books. Also, payments for supplies and equipment that not kept by the employee are eligible. Finally, payments of principal and interest on any qualified educational loans are eligible.
5. Ineligible education benefits include tools or supplies that are kept after graduation, meals, lodging or transportation expenses, or education expenses involving sports, games or hobbies.
6. **Reimbursement limit.** The company will reimburse the employee up to the maximum allowable by law. As of 2021 until 2026, the maximum amount is \$5,250.00. If the law is changed to increase or decrease the maximum amount, the plan will automatically apply the new amount.
7. **Spouses and dependents of employees are not eligible for benefits under this plan.**
8. **Limitation for owners or shareholders of the company.** Those who hold more than five percent (5%) of the company’s ownership interest are not allowed to receive assistance exceeding 5% of the total amounts paid under this plan.
9. **Amendment and termination of plan.** The company has the right to amend and terminate this plan at any time and for any reason. In addition, if this plan is found to favor highly compensated employees (HCE) as defined by Section 127(b)(3) of the Internal Revenue Code, the plan is automatically terminated. If the plan is amended or terminated, all employees will be notified as soon as possible.
10. **Reimbursement procedure.** To be eligible for reimbursement, the employee must provide adequate documentation that proves that he or she paid for the qualified educational expenses.
11. **Other conditions (optional).** The employer may include other conditions to qualify for the plan. However, take care that the conditions do not disqualify the plan by favoring HCEs described above.
12. **Plan administrator (optional).** This section should provide the name and contact information of the person administrating this plan. This person should be able to answer any question about the plan. He or she should also be familiar with the HCE and owner limitation rules.

This written plan is designed for educational purposes only. Any written Educational Assistance Plan should be customized for the specific needs of your company. It is recommended that any plan be reviewed by a competent legal professional.

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