

## **CARES Act**

### **Student Loan Provisions**

1. Student loan payments on **Federal Student Loans** are suspended:
  - A. Amounts required to be paid between March 27, 2020 and September 30, 2020 are suspended.
  - B. During this time the debt will not accrue any interest.
  - C. Payments are not prohibited on the debt during this time period. Therefore, taxpayers who are able to pay on the loan during this time period are making 100% principal payments.
  - D. The legislation allows for the suspension period to continue to count towards loan forgiveness. If taxpayers, are in a program where the outstanding balance of their loan may be forgiven, they may want to suspend payments, so a larger balance is able to be forgiven.
  - E. Students who are delinquent in their student loan debt:
    - 1) Will be exempt from debt collections from March 27, 2020 through September 30, 2020.
    - 2) This will include:
      - a. Wage Garnishments
      - b. Reduction in federal tax refunds
      - c. Reduction in other federal benefits
    - 3) This will give taxpayers an incentive to file their income tax return during this period to prevent a garnishment on their refund before this relief expires.
  - F. **NOTE:** *Amounts financed with banks or other lending institutions are not covered by these provisions.*
2. Employers Can Exclude Student Loan Payments from Taxable Compensation – Employers can provide tax free compensation to their employees to assist the employee with paying down their student debt. Employers can pay up to \$5,250 towards an employee’s student loans between March 27,2020 and December 31, 2020 as tax free compensation to the employee. Normally such payment would be considered taxable income to the employee.

This amount is coupled with the existing law allowing for a tax-free fringe benefit of up to \$5,250 of employer paid educational assistance during a year under a qualified plan. This assistance allows employers to pay current expenses (not student loans) for certain tuition, fees and out of pocket expenses an employee is incurring while in an undergraduate or graduate program. Therefore, the maximum amount of education expenses that are considered tax free for 2020 is \$5,250.

3. The CARES Act provided numerous provisions for assisting students and colleges directly impacted, because campuses are shut down. Provisions include relaxation of financial aid repayments, continued payments to students for work study programs, extending the duration of Pell grants because of the emergency situation created by COVID-19. We suggest you consult your financial aid officers and educational institution personnel for guidance and assistance with these issues.