

Key Employee Benefits Provisions in the CAA Part 2: Fringe Benefits Provisions

As mentioned in [Key Employee Benefits Provisions in CAA, Part 1: Health and Welfare Plan Provisions](#), the [Consolidated Appropriations Act of 2021](#) (the "Act") contains numerous employee benefit and executive compensation provisions, including extensive requirements for group health plans and health insurers addressing surprise medical billing.

This article summarizes the key changes implemented by the Act that may directly or indirectly affect fringe benefits.

Exclusion of Employer Payments for Student Loans (*Div. EE, Title I, § 120.*)

The Code contains an exclusion from employee gross income for amounts paid or expenses incurred by an employer for certain types of "educational assistance" that are provided as part of an educational assistance program. The Act expanded the definition of educational assistance under Code Section 127 to include an employer's payment, whether to an employee or a lender, of principal or interest on any qualified education loan (as defined under Code Section 221(d)(1)) incurred by the employee for the employee's education. The Code's educational assistance program rules establish a maximum annual exclusion of \$5,250. The Act provision applies to payments made after the Act's enactment date (March 27, 2020) and before January 1, 2021. The Act extends this provision for an additional five years—that is, for payments made before January 1, 2026.

Employer Credit for Paid Leave and Medical Leave (Code Section 45S) (*Div. EE, Title I, § 119.*)

Tax reform legislation enacted in December 2017—the Tax Cuts and Jobs Act ("TCJA")—added a provision to the Code under which some employers may claim a general business credit based on wages paid to qualifying employees who are on family and medical leave, subject to certain conditions. Government funding legislation enacted in December 2019 extended the Section 45S credit for one year—until December 31, 2020.

The Act extends availability of the Section 45S for an additional five years; as extended, the Section 45S credit will be available for wages paid in tax years beginning before January 1, 2026. The Act's extension applies to wages paid in tax years beginning after December 31, 2020.

In [Part 3](#) of this article series, the key provisions affecting retirement plans will be reviewed.

Contact

Reach out to Fraser Stryker's employee benefits & ERISA attorneys for further assistance.

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