

6.4: Tuition Reimbursement



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How to Offer Employee Tuition Reimbursement

Offering a tuition reimbursement program to your employees can increase employee loyalty, bring your company tax breaks and more.

With tuition soaring, 76% of employees say they're more likely to stay with their employer because of a tuition reimbursement program. Yet, 4.4 million Americans left their jobs in September 2021 — a nod to a trend that has become known as the Great Resignation. Offering a tuition reimbursement program is one win-win strategy employers can implement in their efforts to become more attractive to new applicants and retain current employees.

Here's what you need to know about offering employee tuition reimbursement.

What is tuition reimbursement?

Tuition reimbursement is an arrangement between an employer and employee in which an employer will cover a certain percentage — or all — of an employee's tuition for a study program, college degree or another form of education.

Employees must meet certain requirements before the employer will pay. For example, some employees must pay the full tuition price before they're reimbursed. Employees may also need to take a specific course set that is covered by the tuition reimbursement program. Many companies are already offering tuition reimbursement to their employees including Amazon, Apple, Starbucks, Walmart and Lowes.

How to offer employee tuition reimbursement

Your company's HR team can design an educational assistance program that they will also manage. A considerable amount of effort may go into maintaining this program, enrolling employees and keeping up with current tax laws, so it's important to ensure your HR team is up to the job. Here are a few of the factors to consider when creating your company's tuition reimbursement program:

- Will this benefit be available to everyone within your company or only for certain employees, such as those who have been with the company for a certain amount of time?
- Will your company offer another benefit or cash incentive for employees who choose not to participate in a tuition reimbursement program?
- Are there certain education programs or courses your company will choose to cover?
- What percentage of employee tuition will your company cover, and when will employees receive reimbursement?
- What will happen if an employee is laid off or resigns after enrolling in a tuition reimbursement program?
- Will your organization still offer the program if tax laws change?
- Is your company planning to retain a lawyer, CPA or another third-party resource to administer the program?

Offering tuition reimbursement can help alleviate some recruitment efforts, as this attractive benefit may help retain employees longer.

Tuition reimbursement benefits for employers

Employers can also benefit from a tuition reimbursement program in multiples ways, such as:

- **Earn tax breaks.** An employer can reimburse employees up to \$5,250 annually without this amount being taxed. While more can be offered in a tuition reimbursement program, any amount above the allotted amount will be seen as a fringe benefit and will be subjected to taxes. Employers can also deduct the maximum of \$5,250 per employee from their taxes each year, making tuition reimbursement cost-effective for all parties involved. For tuition reimbursement to stay tax-free, the money can only go towards tuition, fees and school supplies, such as books. Additionally, graduate courses are tax-exempt only if the employee is in a research or work-study position.
- **Strengthen your company.** A tuition reimbursement program is an attractive benefit to employees searching for companies that will foster their professional development. Offering employees the opportunity to take essentially free coursework in line with your company's industry will strengthen skills that they can bring to their current role. This commitment to your employee development will also further improve your company's reputation.
- **Reduce recruitment costs.** Offering tuition reimbursement can help alleviate some recruitment efforts, as this attractive benefit may help retain employees longer. The more effective benefits your company offers, the greater the chances the employees will stay at a job for a longer period of time, resulting in less time and resources spent recruiting employees to fill positions. Additionally, employees who increase their skills have a greater chance of promotion, so there is more opportunity to promote from within than to hire externally.
- **Promote employee loyalty.** Employees will see your commitment to their professional development through a tuition reimbursement program and may be more likely to stay loyal to your organization. The more emphasis you place on employee growth, the greater chance an employee will choose to stay on your payroll.

Source: "[How to Offer Employee Tuition Reimbursement](#)", U.S. Chamber of Commerce, 2024

NOTE: A printable PDF is attached below.

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