

employee. In December 2020, the federal definition of educational assistance was expanded to include payments by an employer, made before January 1, 2026, of principal or interest on any qualified education loan incurred by the employee for their own education. California law does not automatically conform to federal law, but a standalone law provides a similar exclusion for employer-provided education benefits. However, existing state law's definition of "educational assistance" does not include student loan payments made by an employer.

This bill conforms to federal law in that regard for employer-funded student loan payments made beginning 2024 through 2026, thus providing a tax benefit to those employer's employees. Although federal conformity eases tax administration for both the government and taxpayer, expanding the income exclusion would also provide a tax benefit to Californians with an employer willing to help cover their student loan debt, at the expense of other Californians without such jobs.

- 4) **Prior Legislation.** AB 1729 (Voepel), of the 2021-22 Legislative Session, was virtually identical to this bill. AB 1729 was held on this committee's suspense file.

AB 152 (Voepel), of the 2019-20 Legislative Session, was substantially similar to this bill, except AB 152 would have allowed a direct gross income exclusion and was not limited to loan payments for an employee's own education. AB 152 was held on this committee's suspense file.

AB 2478 (Voepel), of the 2017-18 Legislative Session, was substantially similar to AB 152. AB 2478 was held on this committee's suspense file.

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