

### Reg. Section 1.127-2(c)(3)(iii)

#### Qualified educational assistance program

(c) Educational assistance—

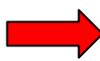
(1) In general. The benefits provided under the program must consist solely of educational assistance. The term "educational assistance" means—

- i. The employer's payment of expenses incurred by or on behalf of an employee for education, or
- ii. The employer's provision of education to an employee.

(2) Alternative benefits. Benefits will not be considered to consist solely of educational assistance if the program, in form or in actual operation, provides employees with a choice between educational assistance and other remuneration includible in the employee's gross income.

(3) Certain benefits not considered educational assistance. The term "educational assistance" does not include the employer's payment for, or provision of—

- i. Tools or supplies (other than textbooks) that the employee may retain after completing a course of instruction,
- ii. Meals, lodging, or transportation, or

 iii. Education involving sports, games, or hobbies, unless such education involves the business of the employer or is required as part of a degree program. The phrase "sports, games, or hobbies" does not include education that instructs employees how to maintain and improve health so long as such education does not involve the use of athletic facilities or equipment and is not recreational in nature.