



Professional Development Spending Account eligibility standards



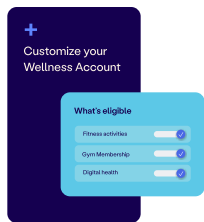
Support workforce personal and professional development

A Professional Development Account is an employer-sponsored benefit that employees can use to pay for various skills development needs. The program can include options that employees can use to develop or advance skills to bring their best selves to work.

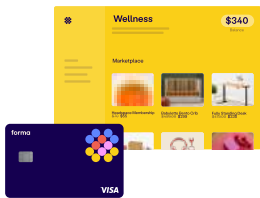
Note: The account can be set up as taxable or tax-advantaged depending on what's included.

How a Professional Development Spending Account works

Unlike formal training programs or direct payroll education stipends, Professional Development Spending Accounts offer a groundbreaking solution beneficial for both the employer and employee.



Employers set the rules for what development-related expenses are eligible under the benefit.



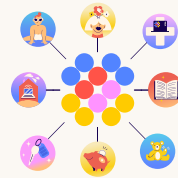
Employees choose how they want to use their funds to learn and grow new skills.

Why this benefit is important

An organization's success depends on its people. And, cultivating employee skills is imperative for both the employer and employee. Professional Development Spending Accounts can help businesses recruit and retain top performers.¹ With a Professional Development Account, you can help ensure your workforce has the necessary skills to be productive and succeed in today's competitive market.²

A better way to handle professional development benefits

Gain efficiency and get more with Lifestyle Spending Accounts (LSAs).



One platform for pre-tax and post-tax spending accounts: LSAs are not restricted to the same IRS limitations and can be designed to offer broader support. And, pairing a post-tax LSA with a tax-advantaged Educational Assistance Spending Account can help offer complete coverage.



Better allocation of your benefits budget: Leveraging LSAs instead of point solutions allows you to consolidate professional development benefits into one holistic offering. Doing so, makes it easy to use and easy to manage.



Only paying for what employees use: LSA funds are notional so the company only pays for the claims when employees use their benefit. Compared to traditional perk programs, this approach is more efficient.



Learn how organizations can support employees with professional development and educational assistance stipends that foster company growth.

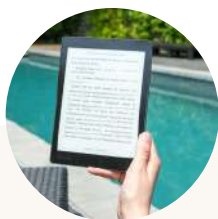
¹ Global Wellness Institute: Health, Happiness, and the Wellness Economy: An Empirical Analysis

² Harvard Business Review: Evaluating ROI on Your Company's Learning and Development Initiatives

What to include in a Professional Development Spending Account

2

Helps ensure every employee accesses valuable skills and professional development opportunities. The following list captures the top items to include in this type of account. For every stage in life, Forma is there to help employees be cultivate and grow their skills.



Professional Tools

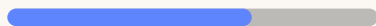
- + Books
- + e-book
- + Magazine

Extra options

- + E-reader

Percentage of Forma customers offering:

63%



Skills Development

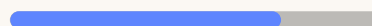
- + Career coaching
- + Class supplies
- + In-person learning
- + Industry event (conference tickets)
- + Online learning (Coursera, Rosetta Stone)
- + Professional subscription (work-related software, publications)

Extra options

- + Educational resources
- + Online courses, fees, and materials
- + Resilience training
- + Testing fee

Percentage of Forma customers offering:

74%



What not to include

For US companies:

It's important to note that tax laws and IRS regulations define what is and isn't an eligible pre-tax expense. If including tax-advantaged options, you'll want to adhere to the guidelines set by the IRS under Section 127 or 132 tax code. For example, Section 132 expenses must be job-related. Education, training, or certifications to meet the basic requirements of a new position are not eligible. If offering a Professional Development Spending Account that's solely a post-tax benefit, then you'll want to define it as such clearly.

Continued →

What to include in a Professional Development Spending Account

Pairing Professional Development Spending Accounts with tax-advantaged accounts

Section 127 and 132 eligible expenses are only expenses incurred by the employee. If the employer wants to reimburse development/education expenses incurred by spouses or employees, those would be good expenses to include in the spending account.

Section 127:

As the IRS Code stipulates, Section 127 allows employers to provide tax-free qualified education assistance programs to employees. To qualify under the program, an educational assistance program must meet a number of requirements. The list of eligible expenses is broad and includes any form of instruction or training that improves or develops the capabilities of an individual. So, textbooks, class fees, tuition, online courses, training, and certain seminars and conferences can be eligible. Employers can offer a tax-free program up to an annual maximum (which resets annually) of education benefits per calendar year. As such, it may be best to utilize a Section 127 plan for eligible expenses and then supplement it with an LSA to go beyond Section 127 limits.

Section 132:

There are other opportunities in the tax code to provide tax-free education benefits to employees, such as Working Condition Fringe Educational Assistance aka Section 132. This program is exclusively employer-funded with no IRS maximum or NDT requirement. Expenses must be job-related to be eligible. This typically includes travel, meals, and professional dues but also can include education that maintains or improves job skills or meets requirements for the employee to remain in his or her current position. This includes ongoing training and certifications required to remain in current position.

Pairing up with an Educational Assistance Spending Account

Companies can create a stand-alone spending account for educational assistance or pair it with a Professional Development Spending Account. 2% of Forma customers offer a dedicated Educational Assistance Spending Account. The median annual funding per employee is \$23,900 with 25% average utilization.

Percentage of Forma customers offering:

57%

Note: The options in may be a taxable or tax-advantaged account depending on the account construct.



Educational Assistance

- + Tuition assistance
- + Student loan repayment (via CARES Act through 2025)
- + University programming (books, fees)

Professional Development Spending Account benchmark data

Forma's Professional Development Spending Account ranks 5th among the top 10 LSA benefits.



61%

of Forma customers cover professional development-related expenses.

14%

of companies offer a dedicated Professional Development Spending Account.

\$1,000

Median annual funding per employee

35%

Average budget utilization per member



For insights into how 450K employees from over 200 companies use their LSAs, check out the [2024 Lifestyle Spending Accounts \(LSA\) benchmark report](#).

Customizable spending accounts. Better benefits.

Forma will help you define spending account eligibility. Configuration is easy and you can adapt at any time.

[Contact us](#) to learn more about what we can do for you.

