

IRS Issues Guidance on Employer Matching Contributions for Student Loan Repayments

Labor & Employment Workforce Watch

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The Internal Revenue Service (IRS) issued interim guidance on the SECURE 2.0 Act provision permitting employers to make matching contributions based on employees' qualified student loan repayments ("QSLP") under 401(k), 403(b), governmental 457(b) and SIMPLE IRA plans. [Notice 2024-63](#) ("Notice") addresses a variety of issues that may arise for plan sponsors in administering such matching contributions.

Key Provisions of the Notice

- A QSLP is a payment made by an employee during a plan year in repayment of a qualified education loan incurred by the employee to pay for qualified higher education expenses of the employee, the employee's spouse, or dependents. The Notice clarifies that a loan is "incurred" by the employee *only if* the employee has a legal obligation to make the payments under the terms of the loan, including as a cosigner but not as a guarantor unless the primary borrower defaults under the loan.
- The maximum QSLP cannot exceed the employee's annual elective deferral amount under Code Section 402(g) reduced by the employee's actual deferrals to the plan for the year.
- A QSLP matching contribution for a plan year cannot be based on a qualified education loan payment that was made during a different plan year. Only those QSLPs made during a plan year are eligible to be counted for purposes of the employee's QSLP matching contributions for that plan year.
- A plan cannot limit QSLP matching contributions to only certain qualified education loans, such as qualified education loans for an employee's own education, for a particular degree program, or for attendance at a particular school. Further, employees eligible for the regular match must be eligible to receive QSLP matching contributions and QSLP matching contributions must be made at the same rate and under the same vesting schedule as the plan's regular matching contribution. However, QSLP matching contributions may be made at a different frequency than the plan's regular matching contribution, provided they are made no less frequently than annually.
- Employees must certify that the loan payment meets the requirements to be a QSLP. Plans may require a separate certification for each qualified education loan payment or may permit an annual certification that applies to all qualified education loans payments for the year. The Notice sets forth the information required to be included in the employee's certification.
- A QSLP match feature may be added as a mid-year change to a safe harbor plan.
- Plans that include a QSLP match feature have two options for applying the Actual Deferral Percentage (ADP) test: a single ADP test for all employees or two separate tests – one ADP test for employees who receive QSLP matching contributions and a main ADP for employees who do not receive QSLP matching contributions. The Notice provides two methods for applying the separate ADP test, allowing for testing flexibility without regard to whether employees who both receive QSLP matches and make elective deferrals include differing proportions

of highly compensated employees (HCEs) or non-highly compensated employees (NHCEs) or whether the HCEs or NHCEs in this group of employees have differing deferral percentages.

Next Steps

The IRS intends to issue proposed regulations to address QSLP matching contributions. In the meantime, employer can rely on the Notice for plan years beginning after December 31, 2024. Employers that offered QSLP matching contribution in 2024 may rely on a good faith, ?reasonable interpretation of section 110 of SECURE 2.0, which includes compliance with the Notice. Employers that are planning to offer QSLP matching contributions in 2025 should review the Notice with their recordkeepers and third-party administrators to ensure that such parties are set up operationally to implement QSLP matching contributions.

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