

Student Loan Repayments and Matching Contributions

Student Loan Repayments

Employers may now treat an employee's qualified student loan payments like elective deferrals or after-tax contributions for purposes of providing an employer matching contribution.

A "qualified student loan payment" is a payment made by an employee to repay a qualified education loan incurred by the employee to pay qualified higher education expenses.

A **qualified education loan** is a loan (including a refinanced loan) taken by the employee solely to pay qualified higher education expenses that

- she, her spouse, or any dependent incurred when the loan was taken;
- are paid or incurred within a reasonable time before or after the loan is taken; and
- are attributable to education the recipient received while she was an eligible student.



Student Loan Payment Requirements

To be considered qualified, the total qualified student loan payment amount cannot exceed the IRC Sec. 402(g) limit, which is \$23,000 for 2024 and \$23,500 for 2025 (or, if less, the amount of the employee's compensation), reduced by the amount of the employee's elective deferrals. In addition, the employee must annually certify to the employer making the matching contributions that the payments on the student loan have been made.

Employer Matching Contribution Requirements

To be considered a matching contribution made on account of a student loan payment, the same eligibility requirements, exclusions, vesting, and contribution rate must apply for both matching contributions on student loan repayments and matching contributions on elective deferrals.

Student Loan Payments – Not Contributions

Qualified student loan payments are generally NOT considered contributions to the plan. However, for safe harbor plans, qualified student loan payments may be considered by a plan as if they were an elective deferral contribution. In addition, an employer with a non-safe harbor plan may test employees who receive matching contributions on student loan repayments separately for purposes of ADP testing.

Next Steps

The IRS released [Notice 2024-63](#) in August 2024, providing guidance on specific issues for administering qualified student loan match programs. Although this guidance applies to 2025 and later plan years, it can be relied upon for employer qualified student loan matching contributions made on or after January 1, 2024. The IRS has said it anticipates further regulations will be issued.