

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

- They incur for themselves, their spouse, or any dependent when the loan was incurred,
- For expenses paid or incurred within a reasonable time before or after loan is taken, and
- Attributable to education the recipient was receiving while they were an eligible student.



STUDENT LOAN PAYMENT REQUIREMENTS

To be considered qualified, the total student loan payments and the employee's elective deferrals cannot exceed the [402\(g\) limit](#) (\$23,000 for 2024) or, if less, the amount of the employee's compensation. 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 deferrals.

STUDENT LOAN PAYMENTS – NOT CONTRIBUTIONS

Qualified student loan payments are generally NOT considered contributions to the plan. However, for safe harbor plans, qualified loan payments may be considered by a plan as elective deferrals. 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.