Matching Contributions Made on Account of Qualified Student Loan Payments

Cross References

• Notice 2024-63

The SECRE 2.0 Act added a provision that allows employer matching contributions to defined contribution plans on account of an employee's qualified student loan payments (QSLPs). Employer matching contributions include matching contributions to 401(k) plans, 403(b) plans, SIMPLE IRA plans, and governmental section 457(b) plans.

A QSLP is a payment:

1) Made by an employee 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 the employee's dependent,
2) That does not exceed, when aggregated with other such payments the plan limitations for the year under IRC section 401(m)(4)(D), and
3) Certified for the plan year by the employee in a manner that satisfies the certification requirements.

The plan limitations for the year are those limitations that apply to an employee's maximum 401(k), 403(b), SIMPLE IRA, or 457(b) contributions allowed for the year.

A student loan payment is not a contribution to a retirement plan. However, it may be treated as a contribution for purposes of meeting the matching contribution rules. Thus, the employee makes a repayment of a student loan, and the employer makes a matching contribution to the employee's retirement plan as if the student loan repayment was an employee elective deferral to a retirement plan. Employers are not required to offer matching contributions on account of QSLPs.

The IRS recently issued detailed guidance in the form of questions and answers with respect to QSLPs and the resulting employer matching contributions. The guidance deals with discrete issues to assist plan sponsors in implementing QSLP match programs. The IRS will also issue proposed regulations based upon this guidance and invites public comments on the guidance. For details, see Notice 2024-63.