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## IRS Issues Guidance on Student Loan Matching



Thirty percent of U.S. adults report having taken out a student loan to further their education. According to the Federal Reserve<sup>1</sup>, the median student loan debt for those with outstanding balances in 2023 ranged between \$20,000 and \$25,000. To ease this financial burden, many employers are now offering a match toward

student loan repayments as part of their employee benefits, helping to alleviate the financial strain. This trend highlights the growing emphasis on addressing student debt within broader financial wellness initiatives.

Amid these changes, the Internal Revenue Service<sup>2</sup> recently issued interim guidance for plan sponsors that currently offer, or seek to provide, matching contributions for student loan repayments. The guidance is part of the Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022, which includes provisions for contributions to 401(k) plans, 403(b) plans, 457(b) plans, or SIMPLE IRAs.

The IRS defines a qualified student loan payment as “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 the employee’s dependent.”

The guidance, presented largely in a question-and-answer format, addresses a range of plan administration issues, including eligibility rules for matching contributions, “reasonable” contribution procedures that a plan may adopt, and special nondiscrimination testing relief.

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<sup>1</sup> [Federal Reserve Report](#)

<sup>2</sup> [IRS Guidance](#)



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The guidance also outlines the requirements for certifying that the criteria for student loan matching contributions have been met. Specifically, the plan must confirm the loan amount, payment date, and the employee's payment as well as verify that the loan was used for a qualified education expense incurred by the employee, spouse, or dependent. Additionally, employer contributions toward student loan repayments must follow the same rate and vesting schedule as the plan's regular matching contributions.

The IRS guidance applies to plan years beginning in 2025 and beyond. It also notes that, for plans before then, sponsors can "rely on a good faith, reasonable interpretation" of SECURE 2.0. Moreover, the IRS states that it intends to release proposed regulations offering additional guidance on student loan matching, but that plan sponsors can refer to the current notice until those regulations are issued. You can read the full notice here: [\[https://www.irs.gov/pub/irs-drop/n-24-63.pdf\]](https://www.irs.gov/pub/irs-drop/n-24-63.pdf).

Assisting employees in managing student loan debt through education and direct support enables them to be more productive and engaged at work, while also better preparing them for retirement. Financial wellness benefits play a crucial role in fostering a more financially stable and motivated workforce, thereby cultivating a culture that prioritizes employee financial health.

#### Sources

[https://www.pionline.com/regulation/irs-issues-guidance-matching-student-loan-payments-retirement-plans?utm\\_source=PIDailyWrap&utm\\_medium=email&utm\\_campaign=20240820](https://www.pionline.com/regulation/irs-issues-guidance-matching-student-loan-payments-retirement-plans?utm_source=PIDailyWrap&utm_medium=email&utm_campaign=20240820)

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