

Interim Guidance on Matching Qualified Student Loan Payments

Until recently, employer matching contributions under qualified plans were required to be conditioned solely upon employee contributions made to the plan. However, one of the many changes enacted by the Consolidated Appropriations Act, 2023, Pub. L. 117-328 (“SECURE 2.0”) enabled certain qualified plans to condition employer matching contributions on employees’ qualified student loan repayments, effective for plan years beginning in 2024. The Internal Revenue Service recently released [Notice 2024-63](#) (the “Notice”), which provides interim guidance related to the administration of such loan repayment matching programs. The Notice is effective with respect to plan years starting in 2025, and although proposed regulations are anticipated, the interim guidance may be relied upon by plan sponsors until these proposed regulations are issued.

Loan Payment Matching Overview

Taxpayers with conflicting financial obligations, such as outstanding student loans, may be limited in their ability to contribute to retirement savings and thus may be precluded from benefitting from an employer match. Section 110 of SECURE 2.0 amended the definition of matching contributions to include employer contributions made to a defined contribution plan on account of certain student loan repayments made by plan participants.

Qualified Student Loan Payments (“QSLPs”) are permitted to be matched under Internal Revenue Code (“Code”) Section 401(k) plans, Code Section 403(b) plans, SIMPLE IRA plans, and governmental Code Section 457(b) plans (“Eligible Plans”). QSLPs are generally repayments of qualified education loans incurred by the employee to pay for the qualified higher education of the employee, the employee’s spouse, or the employee’s dependent¹ within a reasonable period of time before or after the debt was incurred and attributable to the education furnished while the recipient was an eligible student. In addition, for a payment to be considered a QSLP, certain certifications must be met.²

SECURE 2.0 provided that Eligible Plans were permitted to match QSLPs if certain conditions were met. The plan must match elective deferrals at the same rate it matches QSLPs, it must provide QSLP matches only to employees otherwise eligible to receive elective deferral matches, and all employees eligible to receive elective deferral matches must be eligible to receive QSLP matches.³ SECURE 2.0 also stipulated that QSLP matches were required to vest in the same manner as elective deferral matches. The Notice helps to clarify some of these requirements, although questions remain.

¹ Dependent status is considered at the time the loan is taken, rather than the time the repayment is made.

² Note that QSLPs, together with elective deferrals, are limited to the lesser of the amount permitted under Code Section 402(g) (\$23,000 in 2024) and the employee’s compensation on an annual basis. (Slightly different rules apply to governmental 457(f) plans, in part because the Code Section 402(g) limit does not apply to these plans.)

³ QSLPs will not fail to be treated as available to an employee solely because the employee does not have a debt incurred under a qualified education loan.

Guidance Highlights

The Notice provides extensive guidance and addresses a variety of plan administration issues using a question-and-answer format that includes several illustrative examples. Following are selected highlights of the guidance.

Eligibility / General Requirements

- The employee making the loan payment must be legally obligated to make the payment to qualify for QSLP matches (note that loan cosigners generally meet this requirement).
- The type of QSLP that is eligible to be matched under the plan may not be further limited (for example, the plan cannot match only loans related to the attainment of an MBA). If the loan payment match feature is offered, all otherwise eligible QSLPs must be matched.
- Only QSLPs made during the plan year may be matched in that plan year.
- Plans may require separate employee certifications for each potential QSLP or an annual certification covering all potential QSLPs in that year.

Certification

- In order for a payment to be a QSLP, the plan must receive:
 1. Notice of the amount of the loan payment
 2. Notice of the date of the loan payment
 3. A statement that the payment was made by the employee
 4. A statement that the loan being repaid is a qualified education loan and used for qualified education expenses for the employee, employee's spouse, or dependent
 5. A statement that the loan was incurred by the employee
- The information listed above may be provided through an affirmative certification by the employee, or the first three items above may be satisfied through independent verification by the employer or passive certification by the employee. The information in the fourth and fifth items listed must be provided through affirmative employee certification.
 - Independent verification generally requires the plan's ability to validate the information (for example, if the employer allows an employee to pay a loan directly through payroll deduction it will have verified the first three items).
 - Affirmative certification with respect to items four and five may be satisfied through loan registration with the plan, where the employee provides information to the plan regarding the fourth and fifth items before the first loan payment is made, for which the employee claims a QSLP match.
 - Passive certification generally requires that i) the employee provides the information requested in the fourth and fifth items, ii) the lender provides information in the first and second items, iii) the plan gives that information (including a statement that it

assumes item three has been met) to the employee, and iv) the employee does not correct the information within a reasonable time period.⁴

- The information in items one through five must generally be provided to the plan at least annually; however, if and when the loan is registered with the plan, the information in items four and five does not need to be provided annually (note that if any of the information in items four or five changes, including due to a refinancing, the loan must be re-registered).

Plan Administration

- Plans may have one or more match claim deadlines each year, provided they are reasonable. Three months after the end of the year is provided in the Notice as an example of a reasonable deadline.⁵
- A plan may, but is not required to, mandate verification that a loan repayment meets the QSLP conditions, provided such verification requirement is reasonable.
- ADP testing may be done as a single test for all employees or as two separate tests - one for those who receive a QSLP match and one for those who do not.
- QSLP matches may be added as a mid-year change to safe harbor plans, provided notice and other conditions are satisfied.
- QSLP matches may be contributed at a different frequency from traditional matches, provided that they are made at least annually.
- If it is determined that an employee has incorrectly certified their loan repayment as a QSLP, the match based on that loan repayment amount is not required to be corrected; however, it may be corrected if all matches made under similar circumstances are corrected. The Notice gives the example of a repayment for a loan that is later forgiven, causing the payment to no longer meet the QSLP requirements. If the matches reflecting one such forgiven loan are corrected, all matches reflecting similarly forgiven loans must also be corrected.⁶ Also note that if the match correction is necessary due to an operational error, the correction must be made.

Conclusion

The interim guidance is welcome assistance for plan sponsors planning to utilize QSLP matches in 2025 and we anticipate additional clarity once the proposed regulations are issued. However, we note that third-party administrators and recordkeepers must be ready to operationally implement QSLP matches in their plan administration systems before plans can in practice adopt QSLP matches.

⁴ If an employer has actual knowledge to the contrary with respect to the third requirement, it may not assume that condition has been satisfied.

⁵ The Notice clarifies that if the plan sponsor is concerned about the imposition of excise taxes on excess contributions as a result of matches claimed later than 2 ½ months after the year end (which is the correction deadline) the plan may adopt reasonable match claim deadlines that are earlier than 2 ½ months after the plan year end.

⁶ Note that it is not clear from the language of the Notice if this applies on a plan year by plan year basis.

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