

# Student Loan Matching Programs

SECURE 2.0 Act of 2022 (SECURE 2.0) has dozens of optional provisions. One of those provisions permits employers with a 401(k), 403(b), governmental 457(b), or SIMPLE IRA plan to provide matching contributions based on student loan payments, rather than based only on elective contributions to retirement plans. This provision went into effect for plan years beginning after December 31, 2023. However, the legislation alone was not sufficient for plan sponsors and their service providers to implement the provision. Instead, additional guidance was necessary and recently issued.

## Here's What You Really Need to Know:

1. On August 19, 2024, the Internal Revenue Service (IRS) issued [interim guidance](#) for plan sponsors (Interim Guidance) that provide – or wish to provide – matching contributions based on eligible student loan payments made by their participating employees under provisions of SECURE 2.0.
2. The Interim Guidance is effective for plan years after December 31, 2024. The IRS anticipates issuing proposed regulations beyond the Interim Guidance and, therefore, requests comments on specific issues identified in the Interim Guidance.
3. Section 110 of SECURE 2.0 covers the entirety of the student loan programs. The Interim Guidance, however, only addresses specific issues so that plan sponsors – and their service providers – can start to implement these programs. These include:
  - a. general student loan matching contribution eligibility rules (including dollar and timing limitations)
  - b. requirements for employee certification that student loan matching contribution requirements have been met
  - c. reasonable student loan matching contribution procedures that a plan may adopt
  - d. special nondiscrimination testing relief for plans that include student loan matching contributions

## Let's Dive In...

The IRS issued a private letter ruling (PLR) on student loan repayment programs in retirement plans in 2018. Specifically, it permitted a company to make non-elective contributions and true-up matching contributions for participants making student loan repayments that were not necessarily contributing to the retirement plan. Since then, a new acronym has arrived – QSLP – or a qualified student loan payment. This was the case as the PLR was codified as part of SECURE 2.0, and greater adoption was forthcoming beyond the single employer from the PLR. SECURE 2.0 included Section 110 which allowed plan sponsors to

make a matching contribution on behalf of participants in the plan who are making student loan repayments. In general, the employee self-certifies that the loan payment was made to pay qualified higher education expenses. The Interim Guidance, however, gets more specific.

## What is a QSLP?

QSLPs must be treated as though they are incurred by the employee. For a qualified education loan to be treated as incurred by an employee, the employee who makes a payment on the qualified education loan must have a legal obligation to make the payment under the terms of the loan. This means that, for example, if you are voluntarily making a student loan payment on behalf of someone else (for example, a grandparent making payments on their grandchild's loan), then you would not have a qualified student loan payment because there is not a contractual obligation to make the payment.

## What Certification is Required?

An annual certification from the employee – similar to the self-certification concept found in many other provisions of SECURE 2.0 – is required. That certification must include (1) the amount of the loan payment; (2) the date of the loan payment; (3) that the payment was made by the employee; (4) that the loan being repaid is a qualified education loan and was used to pay for qualified higher education expenses of the employee, their spouse, or the employee's dependent; and (5) that the loan was incurred by the employee. That's right – the loan does not have to be for the education of the employee, but the QSLP definition described above still has to be met, including that there is a legal obligation to make the payment.

Plan sponsors may rely upon the employee's affirmative certification (as the guidance provides some alternative methods). A plan may require a separate certification for each qualified education loan. Again, the certification must be received annually. For plan sponsors, you may – and likely will – outsource this function to a third party to administer the provision including collection of attestations. You will remain as the fiduciary to oversee this annual requirement unless you have hired a service provider as a fiduciary.

## Administration & Testing Options

A plan may establish any reasonable administrative procedures to implement a QSLP match feature. Whether procedures are reasonable is based on all relevant facts and circumstances. A plan that includes a QSLP match feature may apply average deferral percentage (ADP) testing by applying a single ADP test for all employees or by applying a separate ADP test for employees who receive QSLP matches and a main ADP test that includes employees who do not receive QSLP matches.

A QSLP match feature may be added as a mid-year change to a safe harbor plan (as described in section 401(k)(12), 401(k)(13), 401(m)(11), or 401(m)(12)), provided that the notice and election opportunity conditions from [IRS Notice 2016-16](#) continue to be satisfied.

A plan may also provide for QSLP matches to be contributed at a different frequency than elective deferral matches, provided that QSLP match contributions are required to be contributed not less frequently than annually. Even if an employee's certification of a QSLP is determined to be incorrect, a match based on that certification does not need to be corrected.

## When is This Effective?

The Interim Guidance applies for plan years beginning after Dec. 31, 2024. In the notice, the IRS said it plans to issue proposed regulations providing further guidance on Section 110, but that plan sponsors may rely on the notice until the proposed regulations are issued. The IRS welcomes public comments on this notice. Comments may be submitted electronically via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (type "IRS Notice 2024-63" in the search field on the Regulations.gov home page to find this notice and submit comments).

## Where is this Most Effective?

The student loan matching provision may be administratively onerous for some plans. While it may have many benefits, it will also be helpful for plan sponsors to work with their service providers to review the data to determine how effective this provision may be. For example, for plans that already have a high contribution rate, then this provision might not be worth the extra compliance work.

## Action Items for Plan Sponsors

1. Consider if adopting a student loan matching provision is a good fit for your plan based on the participants' needs.
2. If you have already adopted a student loan matching provision, review the Interim Guidance with your recordkeeper, third-party administrator (TPA), and/or advisor to make sure that your current procedures align with them.
3. Check with your service providers to see what comments/questions they may be planning to submit during the comment period and if you have additional questions, consider submitting them directly via the instructions above.
4. Continue to monitor for additional SECURE 2.0 guidance beyond student loan matching provisions.



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