



## IRS Releases Guidance on Retirement Plan Student Loan Matching

On August 19, 2024, the IRS released [Notice 2024-63](#), which addresses employer retirement plan contributions related to their employees' qualified student loan payments, or QSLPs. This notice provides important clarification for plan sponsors that are considering adding matching student loan payments in their retirement plans.

Although the [student loan payments provision](#) of the [SECURE 2.0 Act](#) is already effective for plan years beginning in 2024, many plan sponsors have been reluctant to implement this provision given the lack of IRS guidance. This notice addresses many issues regarding student loan repayment matches, including the following:

- Clarification that student loan repayments may be for the employee, the employee's spouse, or the employee's dependent, provided that the employee has a legal obligation to make these payments under the terms of the loan. If the employee did not co-sign the student loan for their dependent, then there is no legal obligation for the employee to repay that loan, and thus, the loan payment would not qualify as a QSLP. If the employee did co-sign, then the employee themselves must be making loan repayments in order for the payment to qualify. If the dependent is the primary person making loan repayments, then the employee cannot claim them as QSLPs.
- Plans may not restrict QSLPs to a particular group of employees, a particular loan type (e.g., only for the employee's own education), or a particular educational institution or degree program. In general, all employees who are eligible to receive the employer match must be eligible to make QSLPs. The only exception to this rule is for collectively bargained employees.
- Employers can require that an employee be employed on the last day of the plan year to receive a QSLP, but only if the employer match has a similar requirement. However, QSLP matches can be contributed at a different frequency than elective deferral matches.
- A plan may establish a single QSLP match-claim deadline for a plan year or may establish multiple deadlines for QSLP match-claim submissions, provided that each QSLP match-claim deadline is reasonable. To clarify, an annual deadline that is three months after the end of a

plan year (as was referenced specifically in the legislation text) is only one example of a reasonable deadline; an earlier deadline could also be considered reasonable.

- Prior-plan-year loan repayments may not be matched in the current plan year. Note that there was some confusion about this element of the provision, since an employee can claim the match for their student loan payments up to three months after the close of the plan year. However, the loan payment must still have been made in the plan year in question in order to receive a match for that plan year.
- Certification must consist of at least the five following elements:
  - The loan payment amount;
  - The loan payment date;
  - An attestation that the employee made the loan payment;
  - An attestation that the loan being repaid is a qualified education loan and was used to pay for qualified higher education expenses of the employee, the employee's spouse, or the employee's dependent; and
- Proof that the loan was incurred by the employee (i.e., the employee has the obligation to pay, as described above).
- Plans do not need employee certification for each QSLP. Annual certification of all student loan repayments is acceptable, which should greatly reduce QSLP administration. The certification process is flexible, and may be self-certified by the employee, or items 4 and 5 may be self-certified by the employee, with the remainder independently verified (i.e., if an employer allows an employee to make qualified education loan payments through payroll deductions).
- For actual deferral percentage (ADP) testing purposes, employers may treat elective deferrals made in addition to QSLPs as part of a separate ADP test for those who do not receive the QSLP match, or they may treat them as part of the main ADP test.
- QSLPs may be added as a permissible mid-year change to a safe-harbor plan.

The IRS has emphasized this notice is *interim guidance*. It plans to issue additional proposed regulations in the future and is requesting comments in this notice on several outstanding issues. Future guidance will be welcomed, as it appears that there are still unanswered questions about QSLPs.

Notice 2024-63 applies for plan years beginning in 2025, although plan sponsors may rely on a good faith reasonable interpretation of the related SECURE 2.0 provision before that date.

If you have questions or concerns about this notice or related SECURE 2.0 provisions, contact your CAPTRUST financial advisor.

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