

News

Dold Comments on IRS Ruling on Student Loan Benefit

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Principal Liz Dold provided commentary to the Society for Human Resource Management in its article, “IRS Allows 401(k) Match for Student Loan Repayments.” The article discussed the [IRS Private Letter Ruling \(PLR\) 201833012](#), made public on August 17, 2018 in response to an unnamed employer requesting to amend its 401(k) plan to offer a student loan benefit plan to help its employees pay off their loans. The IRS concluded that the program, as proposed, would not violate the ‘contingent benefit’ prohibition under the Internal Revenue Code of 1986, as amended (the “Code”), and related regulations.

The ruling “is helpful guidance in that it addresses a key concern—the contingent benefit rule—that is typically raised when structuring student loan repayment programs within or tied to a qualified plan,” commented Dold.

She added, “[T]he regular match that an employee would otherwise be entitled to receive is reduced if the employer is making student loan repayments into the account.”

She also noted that “this design will not work if the plan sponsor is actually providing the student loans that are being repaid, and unlikely to extend to safe harbor 401(k) plans.”