

**Publications**

# IRS Blesses a Student Loan Employer “Match” Contribution

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**PUBLISHED**

10/12/2018

**SOURCE**

TAXES – The Tax Magazine

**SERVICES**

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As the student loan debt numbers continue to rise, employers are looking for ways to help. More traditional methods involve employer payments outside a qualified plan to help pay down employer debt, but these arrangements typically bring in taxable W-2 wages, subject to employment taxes. But recently, the Internal Revenue Service (Service) has blessed in a private letter ruling (LTR 201833012, May 22, 2018—widely viewed as the Abbotts Labs program) an arrangement that takes what would otherwise be designated as matching contributions within a 401(k) plan, and permits the employer to use these same funds to provide a “match” (designated as a non-elective employer contribution) for a participant’s repayment of student loans. This arrangement avoids current taxation, encourages employees to repay their student loans, and provides a valuable benefit in the form of tax-deferred retirement savings.

The ruling focuses on the key Internal Revenue Code issue, called the contingent benefit rule, which generally prohibits employers from making an employer contribution contingent on the participant’s decision to make or not to make a 401(k) deferral to the plan. The program set forth in the ruling is described in the article linked below, followed by a review of the legal analysis, and how other plan sponsors can consider similar programs, even though they cannot technically rely on the ruling.

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