

IRS Private Letter Ruling Approves Student Loan Repayment Feature in 401(k) Plan

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A recently released IRS Private Letter Ruling (the “**PLR**”) describes a potential approach for an employer to integrate a student loan repayment program with the employer’s defined contribution plan. As described in the PLR, the employer proposed to amend its 401(k) plan to permit employees to enroll in a voluntary student loan benefit program (the “**Program**”) under which the employer would make a nonelective contribution to an employee’s account under the plan for each pay period during which the employee made a student loan repayment equal to a specified amount of eligible compensation. The IRS ruled that, based on the conditions described in the PLR, the Program did not violate the Internal Revenue Code’s “contingent benefit” prohibition (*i.e.*, an employer cannot offer a benefit, other than a matching contribution, that is contingent upon the employee making contributions to a 401(k) plan). The PLR did not address what impact such a program would have on nondiscrimination and coverage testing. While the PLR does provide some insight into how the IRS might view these programs, it is important to note that the PLR may only be relied on by the taxpayer who requested the ruling. Before adopting a similar program, employers should consult with employee benefits counsel. [View PLR No. 201833012](#).