IRS Private Letter Ruling Permits Employee Choice for Employer Contributions Among Plans

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In IRS Private Letter Ruling 202434006 ("***PLR***"), the IRS ruled that the taxpayer's proposed program permitting employees to make an annual irrevocable election during open enrollment to allocate employer contributions among the following retirement and health and welfare benefits was permissible:

- the employee's defined contribution plan account;
- the employee's retiree health reimbursement arrangement;
- the employee's health savings account, which remains subject to statutory limits ($4,300 for individual coverage, and $8,550 for family coverage in 2025); or
- to be used for the employee's student loan reimbursements through an educational assistance plan, subject to the annual limit of $5,250 when combined with other educational assistance.

Under the proposed arrangement, the employees could not receive the employer funds in cash or as any other taxable benefit. While the PLR does provide some insight into how the IRS would rule regarding this type of program, 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 their benefits counsel.

The PLR is available here.

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