Operational Error if ESOP Allocated Shares Contrary to Loan Documents

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Generally, shares in a leveraged ESOP may be released from the suspense account and allocated to participants?ÃÃ accounts using a principal-only method or a principal and interest method. The IRS recently stated that, if an ESOP allocates shares using the principal-only method but the loan documents require the principal and interest method to be used, there is an operational failure and a prohibited transaction has occurred.?Ã¡ IRS Technical Advice Memorandum 201425019 can be found **here**.