Section 108(f) Fact Sheet

What is Section 108(f)?

Section 108(f) of the Internal Revenue Code allows employers to make unlimited, tax-free contributions toward employees' student loan repayments.

Unlimited Tax-Free Contributions

Unlike other programs with annual caps (e.g., Section 127), Section 108(f) allows employers to contribute any amount to student loans tax-free.

Targeted Application

Employers can focus contributions on specific hard-to-fill positions without the need to pass discrimination testing.

Flexible Use Cases

Targeted Sign On Bonus

Use tax-free loan contributions for only critical roles.

- *Structure:* Offer $30,000 bonus tied to student loans, paid out monthly over three years to improve retention.
- *Flexibility:* Focus on specific roles without applying benefits across the entire workforce.

Enhanced Monthly Loan Payment Coverage

Cover employees' student loan payments tax-free, up to any amount.

- *Structure:* Provide $500/month (or more) to offset student loan payments for targeted positions or create tiered contributions based on role or seniority.

Layer with Other Programs

Combine Section 108(f) with federal loan repayment programs like NHSC, Nurse Corps, or PSLF (for non-profits) to maximize financial impact for employees.

Why Use Section 108(f) vs. Section 127

- Unlimited flexibility
- No requirement for discrimination testing
- No limits on annual tax-free transactions

Key Requirements

- Payments must go towards loans incurred for higher education purposes.
- Contributions can be made directly to the loan servicer or reimbursed to employees.
- Employers must maintain detailed records to ensure compliance.

Book a Meeting

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SavvyFi

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