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HRDG 4537 - Repayment of Student Loans - Section C

Last Modified:

Subchapter 4537 - Repayment of Student Loans Section C - Tax Information

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Is This Part of Gross Income for Tax Purposes?

Yes, the incentive is included in the employee's gross income and in wages for federal employment tax purposes.

Your employee should contact the IRS to determine how to report this benefit and for any other tax related questions or obligations.

NFC will report payment of this incentive to the IRS.

IRS Reporting

Note: See the [Office of Personnel Management](#) web site for additional information on tax liability.

Tax withholdings are deducted or applied at the time the loan repayment is made. Tax withholdings may not be spread out over time.

Tax Withholdings

The deduction for employment tax withholding reduces the maximum loan repayment.

Example: If you grant a benefit of \$6,000 and your employee's tax deductions are \$2,000, then the actual loan payment to the loan institution is \$4,000. However, the fully approved benefit amount of \$6,000 counts toward the maximum benefit limitations.

In an effort to ease the tax liability to employees receiving this benefit, you may have:

- NFC make smaller payments at periodic intervals through the fiscal year or subsequent years, rather than issue one lump sum;
- Your employee write a check to MRP to cover the tax liability rather than have it withheld from your employee's pay check;

**Employees make
the check out
to:**

And complete:

**And mail the check
(and form) to:**

AMS USDA - AMS

USDA - APHIS / WFSB
1400 Independence
Ave. SW, Room
3759S
Washington, DC
20250-3439
Attn: Management
Accountant

Easing Tax Liability

APHIS USDA - APHIS-
General

[APHIS Form](#)

[94](#) (156.42 KB),
Record of Public
Funds Received

USDA - APHIS -
General
P.O. Box 952180
St. Louis, MO 63195

- The appropriate amount of taxes withheld from the loan repayment benefit before issuing payment to the holder of the loan.

Note: Remember to advise HRO of the above method to be used.

Note: The following web sites contain the latest information from the IRS on tax liabilities and payment procedures:

- **<https://www.irs.gov/>**
- **<https://www.opm.gov/>**
- **<https://www.nfc.usda.gov>**

SPO: See also NFC Bulletin, Title I, 01 - 15, dated September 21, 2001.

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