DEPARTMENT OF REVENUE

INDIVIDUAL INCOME TAX
Discharge of Student Loan Debt

February 28, 2020

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3670 (Becker-Finn)

	Fund Impact			
	F.Y. 2020	F.Y. 2021	F.Y. 2022	F.Y. 2023
		(000's)		
General Fund	$0	($60)	$0	$0

Effective retroactively for tax year 2018.

EXPLANATION OF THE BILL

Public Law 115-97, known as the Tax Cuts and Jobs Act, allows for the exclusion of discharged student loan debt due to the student's death or total and permanent disability. The federal exclusion is effective for tax years 2018 through 2025.

Minnesota conformed to that provision beginning with tax year 2019. For tax year 2018, taxpayers with eligible discharged student loan debt were required to include that amount in their Minnesota taxable income.

The proposal would retroactively adopt the exclusion for tax year 2018.

REVENUE ANALYSIS DETAIL

- The estimate is based on information from 2018 income tax returns.
- About 75 returns reported additions for discharged student loan debt totaling $1.1 million.
- A marginal rate of 5.5% is assumed. The average reduction in tax would be about $800.
- The retroactive impact was allocated to fiscal year 2021.

Minnesota Department of Revenue
Tax Research Division
https://www.revenue.state.mn.us/revenue-analyses

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