DEPARTMENT OF REVENUE

INDIVIDUAL INCOME TAX
Discharged Student Loan Subtraction

March 3, 2021

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1323 (Nelson) / H.F. 1504 (Davids)

	Fund Impact			
	F.Y. 2022	**F.Y. 2023**	**F.Y. 2024**	**F.Y. 2025**
	(000's)			
General Fund	--------------Unknown----------------			

Effective beginning with tax year 2021.

EXPLANATION OF THE BILL

Current Law: A taxpayer is eligible for a subtraction equal to the amount of discharged student loan debt if the debt is a qualified education loan and the loan was forgiven as part of Minnesota's teacher shortage loan forgiveness program, or the taxpayer completed a federal income-driven repayment plan for the loan.

Income-driven repayment plans include, but are not limited to, the Income-Contingent Repayment Plan (ICR), the Income-Based Repayment Plan (IBR), the Pay as You Earn Plan (PAYE), and the Revised Pay as You Earn Plan (REPAYE). The plans typically limit student loan payments to a percentage of discretionary income (generally 10%, with some exceptions). Any amount owed after successful completion of the repayment plan is forgiven.

Proposed Law: The bill removes the references to income-driven repayment plans and instead refers to debt that was discharged as part of a federal loan forgiveness program.

REVENUE ANALYSIS DETAIL

- The bill would have an unknown impact because the term "federal loan forgiveness program" is not defined. Replacing the defined term "income-driven repayment plan" with a general term might create ambiguity about eligibility for the subtraction.

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

sf1323(hf1504) Discharged Student Loans / ct cw