MN HOUSE RESEARCH

Bill Summary

H.F. 754

As introduced

Subject Income tax subtraction for student loan discharges

Authors Her

Analyst Sean Williams

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Summary

The American Rescue Plan Act of 2021 (ARPA) allowed a broad exclusion from gross income for discharged student debt. The ARPA exclusion is effective for tax years 2021 to 2025, and covers most loans for postsecondary expenses that were made, issued, or guaranteed by the federal government, a state government, postsecondary institutions, and private loans and loans by certain educational organizations. Minnesota conformed to this exclusion in the 2023 tax conformity bill (Laws 2023, Chapter 1).

H.F. 754 would permanently adopt (for taxable years after 2025) the ARPA exclusion for discharged student loans, by allowing a subtraction for discharged student loans which would qualify under the ARPA exclusion.

Background. Minnesota currently allows a subtraction for some student loan discharges that are taxable federally. The subtraction applies to loans discharged through the following state and federal loan forgiveness programs:

- Income-Contingent Repayment (ICR) and Income-Based Repayment (IBR) programs
- Pay-As-You-Earn (PAYE) and Revised Pay-As-You-Earn (REPAYE) programs
- The Minnesota teacher shortage loan forgiveness program