

Subject Student loan tax credit refundability

Authors Becker-Finn

Analyst Sean Williams
Chris Kleman

Date February 1, 2019

Overview

The 2017 legislature established a nonrefundable individual income tax credit for payments of student loan principal and interest.

The credit amount equals the taxpayer's student loan payments, reduced by 10 percent of adjusted gross income in excess of \$10,000. The maximum credit is \$500, and is limited to the taxpayer's earned income and 10 percent of the taxpayer's original balance (plus interest paid).

Under current law the credit is nonrefundable, meaning the amount of a taxpayer's credit is limited to the taxpayer's individual income tax liability. H.F. 502 would make the credit refundable, meaning a taxpayer who is eligible for a credit in excess of the taxpayer's liability would receive the excess amount as a refund.