

Subject Student loans discharged due to death or disability in tax year 2018

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Summary

H.F. 3670 excludes student loans discharged due to death or disability in tax year 2018 from being subject to Minnesota's individual income tax.

Background

Discharged debt is generally included in gross income and subject to federal and Minnesota income taxes, unless a specific exception is included in federal law. The federal Tax Cuts and Jobs Act (TCJA) of 2017 added an exclusion from gross income for student loans discharged due to death or total disability of the student. The exclusion applies to discharges of federal, state, and private student loans. The federal exclusion was effective for tax year 2018 and expires after tax year 2025.

The 2019 Omnibus Tax Bill (OTB) conformed to most of the changes in the TCJA, but for many individual income tax provisions the bill did not affect tax year 2018 liability. Under current Minnesota law, the exclusion for loans discharged due to death or disability applies to tax years 2019 to 2025 only.