SB 991 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

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Meeting Dates: 3/14

WHAT THE MEASURE DOES:

Creates personal and corporate income tax subtraction for principal and interest payments made during the tax year on a qualified education loan if borrower is a person listed on the taxpayer's tax return or is an employee of the taxpayer. Requires subtraction to be reduced by any federal student loan interest deduction allowed for the same loan to the borrower under section 221 of the Internal Revenue Code. Applies to tax years beginning on or after January 1, 2023 and before January 1, 2029. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Under current law, taxpayers are allowed to annually deduct up to $2,500 in interest paid on a qualified higher education loan. The deduction can be claimed by taxpayers without having to itemized their deductions. The deduction is not available to taxpayers that can be claimed as a dependent on another taxpayer's return and the deduction is phased out for taxpayers with income between $70,000 to $85,000 (single) or $145,000 to $175,000 (joint) with such phase-out amounts indexed to inflation. Qualified higher education loans are those taken out solely to pay qualified education expenses for the taxpayer or a dependent. Qualified education expenses include such expenses as tuition & fees, room & board and books & supplies.

Employers that pay or reimburse education expenses for an employee can deduct the payments if they are part of a qualified educational assistance program. Applicable through 2025, employers may deduct principal or interest payments made on behalf of employees for a qualified higher education loan. Up to $5,250 of qualified educational assistance program payments paid by employers are excluded from the taxable income of the employee.