

ASSEMBLY RESOLUTION No. 64

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblywoman BRITNEE N. TIMBERLAKE

District 34 (Essex and Passaic)

Assemblyman RALPH R. CAPUTO

District 28 (Essex)

Assemblyman THOMAS P. GIBLIN

District 34 (Essex and Passaic)

Co-Sponsored by:

Assemblywomen Tucker and Jasey

SYNOPSIS

Urges Congress to amend tax code to exclude all forms of discharged student loans from federal income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ASSEMBLY RESOLUTION** urging Congress to amend the tax code
2 to exclude all forms of discharged student loans from federal
3 income tax.

4
5 **WHEREAS**, Under federal law, income from discharge of indebtedness
6 is subject to the income tax unless there is a specified exception in
7 the law; and

8 **WHEREAS**, Discharged student loans are not subject to the income tax
9 if, for example, they are forgiven through a provision of the loan
10 that allows forgiveness when the borrower works for certain
11 employers in particular professions for a designated period of time;
12 and

13 **WHEREAS**, Teachers and other public service employees meeting the
14 requirements can qualify for such forgiveness through the Teacher
15 Loan Forgiveness and Public Service Loan Forgiveness programs;
16 and

17 **WHEREAS**, As part of the “Tax Cuts and Jobs Act,” Pub.L.115-97,
18 Congress also excluded from the income tax discharge of student
19 loans on account of death or disability if the discharge occurs after
20 December 31, 2017 and before January 1, 2026; and

21 **WHEREAS**, Student loans discharged for certain other reasons, as the
22 forgiveness of loans in Income-Driven Repayment-Plans after the
23 20 or 25 year repayment period, are still subject to federal income
24 taxation; and

25 **WHEREAS**, Because not all forms of discharged student loans are
26 excluded from the federal income tax, there are borrowers who
27 have their student loans forgiven, but as a result have to pay the
28 federal income tax on the amount forgiven; and

29 **WHEREAS**, Discharge of student loans would be far more helpful to
30 those in greatest need of discharge if the borrower did not have to
31 pay the income tax on the amount discharged; and

32 **WHEREAS**, It is fitting and proper for this House to urge Congress to
33 reassess the circumstances under which discharged student loans
34 are subject to the federal income tax and to permanently exclude the
35 discharge of student debt on account of death or disability from the
36 income tax; now, therefore,

37
38 **BE IT RESOLVED** *by the General Assembly of the State of New*
39 *Jersey:*

40
41 1. This House urges Congress to exclude all forms of
42 discharged student loans from federal income taxation.

43
44 2 Copies of this resolution, as filed with the Secretary of State,
45 shall be transmitted by the Clerk of the General Assembly to each
46 member of Congress representing New Jersey, the Secretary of the
47 United States Treasury, and the Commissioner of Internal Revenue.

1 STATEMENT

2

3 This resolution urges Congress to exclude all forms of
4 discharged student loans from the federal income tax. Federal law
5 requires payment of the income tax on forgiven debt except in
6 certain circumstances. For example, student loans forgiven for
7 teachers and public service employees eligible for Teacher Loan
8 Forgiveness and Public Service Loan Forgiveness programs are not
9 subject to the income tax.

10 Discharge of student debt on account of death or disability is
11 also not subject to the income tax but only if the debt is discharged
12 between December 31, 2017 and January 1, 2026. Other forms of
13 discharged student debt, such as the forgiveness of loans in Income-
14 Driven Repayment-Plans after the 20 or 25 year repayment period,
15 are subject to federal income taxation. This House therefore urges
16 Congress to make the discharge of student debt on account of death
17 or disability exception to the income tax a permanent part of the tax
18 code, and to permanently exclude from the income tax all other
19 forms of discharged student loans.