June 23, 2015

The Honorable Jim McDermott
U.S. House of Representatives
1035 Longworth House Office Building
Washington, DC 20515

Re: Endorsement of H.R. 2429, the Student Loan Tax Debt Relief Act

Dear Mr. McDermott:

On behalf of the American Council on Education and the undersigned associations, I am writing to endorse the Student Loan Tax Debt Relief Act (H.R. 2429), which will ensure that federal student loan debt forgiven through the Income-Based Repayment (IBR) and Income-Contingent Repayment (ICR) programs is not taxed as income.

As you know, in the College Cost Reduction and Access Act (CCRAA) (P.L. 110-84), Congress sought to increase college access and affordability by lowering the burden of student loan debt through a new IBR program. Under IBR, students can lower their monthly loan payments, which are capped at a percentage of their disposable incomes. The law provides that a student borrower with debt remaining for a period time (specified by the Secretary of Education) not exceeding 25 years of payments will have the balance of their federally student loan debt canceled. In addition to IBR, CCRAA created two other loan forgiveness programs, Public Service Loan Forgiveness (PSLF) for borrowers working in government and certain nonprofit jobs and TEACH to assist future teachers. The federal Direct Loan Program has had a similar loan forgiveness program, ICR, since 1994.

Under current tax law, some forgiveness programs are excluded from taxable income, including PSLF and TEACH. However, according to the Internal Revenue Service, loan forgiveness under IBR and ICR would be treated as taxable income for the student borrower. The Student Loan Tax Debt Relief Act would remedy this problem by expanding the current income tax exclusion to cover amounts forgiven under the IBR and ICR programs. By enacting this needed bill, Congress can ensure that IBR and ICR really do enhance college access and affordability and thereby advance the intent of Congress when it originally authorized these important programs.
Accordingly, we strongly support H.R. 2429 and look forward to working with you to enact this important legislation.

Sincerely,

Molly Corbett Broad
President

MCB/Idw

On behalf of:

American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Governing Boards of Universities and Colleges
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
College and University Professional Association for Human Resources
Council for Christian Colleges & Universities
Council for Opportunity in Education
NASPA - Student Affairs Administrators in Higher Education
National Association of Independent Colleges and Universities
UNCF