Talking Points: Student Loan Interest Deduction

Balancing student loan debt while starting a career is challenging for many graduates. The Student Loan Interest Deduction (SLID) helps ease this burden by reducing taxable income and providing relief to student loan borrowers.

- SLID is a federal income tax deduction that permits taxpayers with incomes up to $80,000 (or $160,000 on a joint return) to deduct up to $2,500 in student loan interest paid.
- About 45 million people have student loan debt. As of March 2024, 53 percent of borrowers owed less than $20,000, and 46 percent of outstanding federal education loan debt was held by the 10 percent of borrowers owing $80,000 or more.
    - By reducing taxable income, SLID gives a much-needed break to individuals who are working hard to pay back their student loans.
- SLID benefits borrowers across all levels, whether repaying undergraduate or graduate student loans. It includes interest paid during the year on qualified student loans (federal and private loans) and includes both required and voluntarily prepaid interest payments.

We strongly support improving SLID. Congress should improve it by making the full amount of interest deductible and increasing the income caps for greater participation. To achieve this, we recommend:

- Allowing the full amount of student loan interest to be deducted, rather than capping it at $2,500. Congress should at least increase the outdated interest limit, which has been in place since 1997, to $5,000 for individuals and $10,000 for joint filers.
- Raising the income caps to align with the current eligibility limits for the American Opportunity Tax Credit and Lifetime Learning Credit.
- Extending SLID benefits to provide significant relief to borrowers enrolled in repayment plans, allowing them to better manage their debt while pursuing meaningful careers.