



NEW YORK STATE SENATOR

Brad Hoylman-Sigal

Senators Gianaris, Hoylman, and Thomas Introduce "Tax-Free Debt Forgiveness Act" to Eliminate State Tax From Federal Student Loan Forgiveness

BRAD HOYLMAN-SIGAL September 8, 2022

| ISSUE: **FEDERAL STUDENT LOANS, STUDENT LOAN CRISIS**

NEW YORK — Senate Deputy Leader Michael Gianaris (Queens), Senator Brad Hoylman (Manhattan), and Senator Kevin Thomas (Nassau County) introduced **new legislation (S.9548), the "Tax Free Debt Forgiveness Act"** to permanently exempt federal student loan forgiveness from state taxation. The bill will save half a million New Yorkers **hundreds of dollars** each and help relieve the crushing burden of debt for low- and middle-income earners.

Senate Deputy Leader Michael Gianaris said, "Relieving student debt is critical for so many across New York. It should not turn into a cash grab by the state. This is an important step in making it easier to access the higher education and career training New Yorkers need and deserve."

State Senator Brad Hoylman said: "New York State shouldn't receive a windfall on the backs of low and middle-income student borrowers. Student loan debt is crushing an entire generation of students, and New York must do its part in combating this crippling crisis."

State Senator Kevin Thomas said: "I'm proud to co-sponsor this legislation to ensure anticipated Federal student loan debt relief is not considered taxable income in New York State. Codifying exemptions that clarify forgiven loans are not subject to State taxes prevents confusion and will protect eligible borrowers from being penalized for receiving this needed - and important relief from the U.S. Department of Education."

On August 24, the Biden administration announced that the federal government will forgive billions of dollars in student loan debt for low- to middle-income borrowers. New York boasts over 300 colleges and universities, the second highest in the country, and serves well over 1 million students. More than half those students graduate with a **student loan debt of over \$30,000**.

Federal support for college has not kept up with the rising cost of college, which has nearly tripled in the last forty years. This has required many low- and middle-income students to borrow to cover the ballooning costs of an education. The effects of the debt can be crushing, causing many students to not be able to afford to finish their degree, and makes it harder for lower- and middle- income borrowers to build wealth.

Under President Biden's plan, for borrowers whose income is less than \$125,000, the Department of Education will provide up to \$20,000 in debt relief to Pell Grant recipients and up to \$10,000 for non-Pell Grant recipients. The American Rescue plan stipulates that this debt relief will not be treated as taxable income for federal income tax purposes. Current New York State law only exempts student loan forgiveness relief awarded by the state. This bill will amend the tax law to ensure that federal student loan debt forgiveness will also be included and that New York State's law conforms with the American Rescue Plan Act.

###