

AMERICAN COUNCIL ON EDUCATION



OFFICE OF THE PRESIDENT

November 10, 2009

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Tom Harkin
Chairman
Committee on Health, Education, Labor
and Pensions
United States Senate
Washington, DC 20510

Re: Remedying Taxation of Federal Student Loan Forgiveness in H.R. 3221, the Student Aid and Fiscal Responsibility Act

Dear Chairman Baucus and Chairman Harkin:

On behalf of the American Council on Education and the undersigned associations, I am writing to express our strong support for H.R. 2492, which will ensure that federal student loan debt forgiven through the Income-Based Repayment and Income Contingent Repayment programs is not taxed as income. We urge you to incorporate this measure into the Senate version of H.R.3221, the Student Aid and Fiscal Responsibility Act

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 Income-Based Repayment (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 after 25 years of payments will have the balance of their federally guaranteed 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, Income Contingent Repayment (ICR) since 1994.

Under current tax law, some forgiveness programs are excluded from taxable income, including PSLF and TEACH. However, according to recent Internal Revenue Service guidance, loan forgiveness under IBR and ICR would be treated as taxable income for the student borrower. As a result, Rep. Sander M. Levin (D-MI) introduced H.R. 2492 with bipartisan co-sponsors, including Rep. George Miller (D-CA), to remedy this problem by expanding the current income tax exclusion to cover amounts forgiven under the IBR and ICR programs. By including the provisions of H.R. 2492 in the Student Aid and Fiscal Responsibility Act, Congress can ensure that the IBR and ICR programs really do enhance college access and affordability, and thereby advance the intent of Congress when it originally authorized these important programs.

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Accordingly, we strongly urge you to incorporate H.R. 2492 into the Senate version of H.R.3221, the Student Aid and Fiscal Responsibility Act.

Sincerely,

A handwritten signature in black ink, reading "Molly C. Broad". The signature is written in a cursive, flowing style.

Molly Corbett Broad
President

MCB/ldw

On behalf of:

American Association of Collegiate Registrars and Admissions Officers
American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Community College Trustees
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
Council for Opportunity in Education
Council of Graduate Schools
Hispanic Association of Colleges and Universities
National Association for Equal Opportunity in Higher Education
National Association of Independent Colleges and Universities
National Association of Student Financial Aid Administrators
U.S. Public Interest Research Group
United States Student Association