



NEW YORK STATE SENATOR

Michael Gianaris

## Senate Deputy Leader Gianaris Announces Senate Passes “Tax-Free Debt Forgiveness Act”, Eliminating State Tax From Federal Student Loan Forgiveness

MICHAEL GIANARIS May 23, 2023

| ISSUE: **STUDENT LOANS, STUDENT DEBT RELIEF, TAX FORGIVENESS**



ALBANY, N.Y. – Senate Deputy Leader Michael Gianaris announced the Senate passed his *Tax-Free Debt Forgiveness Act* ([S.143](#)), ensuring student loan forgiveness programs are exempt from state income taxes.

“Relieving student debt is critical for so many across New York,” said **Senate Deputy Leader Michael Gianaris**. “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.”

**Senator Brad Hoylman-Sigal** 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. I'm grateful to Majority Leader Stewart Cousins, Senate Deputy Leader Gianaris and Senator Thomas for shepherding this life-changing bill through the Senate today."

**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."

The Biden administration announced last year that the federal government will forgive billions of dollars in student loan debt for low- to middle-income borrowers. The federal program is currently making its way through a series of legal challenges. This legislation will allow New York State to be ready if and when the program is implemented.

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.

## 2023-S143

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- Introduced
- - In Committee Assembly
  - In Committee Senate
- - On Floor Calendar Assembly
  - On Floor Calendar Senate
- - Passed Assembly
  - Passed Senate
- Delivered to Governor
- Signed By Governor
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Excludes certain student loan discharge or forgiveness amounts from state income tax

December 28, 2022

Signed by Governor

Sponsored by **Michael Gianaris**

Do you support this bill?

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