

38TH DISTRICT
STATE SENATOR
LINDSEY M. WILLIAMS

SENATE BOX 203038
THE STATE CAPITOL
HARRISBURG, PA 17120-3038
717-787-6538
FAX: 717-787-8625

5000 MCKNIGHT ROAD • SUITE 405
PITTSBURGH, PA 15237
412-364-0469
FAX: 412-364-0928

1826 UNION AVENUE
NATRONA HEIGHTS, PA 15065
724-224-2131
FAX: 724-224-2145



Senate of Pennsylvania

COMMITTEES

**EDUCATION, DEMOCRATIC CHAIR
GAMES & FISHERIES
LABOR & INDUSTRY
URBAN AFFAIRS & HOUSING
VETERANS AFFAIRS &
EMERGENCY PREPAREDNESS**

EMAIL: SenatorLindseyWilliams@pasenate.com
WEBSITE: www.SenatorLindseyWilliams.com
FACEBOOK: @SenWilliamsPA
TWITTER: @SenWilliamsPA
INSTAGRAM: @SenWilliamsPA

December 8, 2021

Governor Wolf
508 Main Capitol Building
Harrisburg, PA 17120

Re: Department of Revenue Guidance on Student Loan Forgiveness

Dear Governor Wolf:

We write to address the Department of Revenue's 2009 bulletin which classifies canceled student loans as taxable income. Recently we have received inquiries from constituents who have finally had their student loans forgiven after many years of public service, only to find that Pennsylvania is one of only a handful of states that taxes the forgiven debt. We are urging you to revisit the Department's guidance, especially for student loans forgiven as part of the Public Student Loan Forgiveness (PSLF) and Federal Teacher Loan Forgiveness (FTLF) Programs.

PSLF was signed into law by President George W. Bush in 2007 to encourage individuals to enter and remain in public service. A borrower who works in the public service field is eligible to have their outstanding loan balances forgiven if the borrower makes 120 on-time payments. The purpose of PSLF is to remove the burden of student debt on public servants, making it possible for many borrowers to stay in their jobs, and entices others to work in high-needs fields.

FTLF was created in 1998 to encourage teachers to commit to working in elementary schools, secondary schools or educational service agencies that serves low-income students for five years. A teacher who meets the requirements is eligible for forgiveness of up to \$17,500 in their outstanding student loan debt.

Under both PSLF and FTLF, outstanding student loan balances forgiven are not taxable under the Internal Revenue Service (IRS). Most states follow the IRS, and do not tax the amounts forgiven under these programs. We ask for Pennsylvania to no longer remain an outlier in taxing these forgiven debts.

Shortly after being sworn in, President Biden directed the U.S. Department of Education to address long standing issues with the PSLF that have kept many borrowers from having their student loans forgiven. As more borrowers learn about and qualify for the programs, we're concerned that they are unaware of the current state tax implications of this forgiveness. Pennsylvania college graduates have the third highest average student loan debt.

We know you share our concerns about adding unexpected burdens for any Pennsylvanian who has dedicated their career to these high-needs fields.

We are asking you and the Department of Revenue to reexamine the 2009 bulletin and assess if it accurately categorizes these programs as a “cancellation of debt” for purposes of taxation under the PIT, and, if appropriate, revise that bulletin.

We look forward to working with you and the Department of Revenue on a clarification that better coincides with the stated purposes of these student loan relief programs and help more Pennsylvanians stay in these highly valued, in-demand professions.

Respectfully,



Senator Lindsey M. Williams
Chair, Senate Education Committee
38th Senatorial District



Senator Katie J. Muth
Chair, Democratic Caucus Policy Committee
44th Senatorial District



Senator Steven J. Santarsiero
Chair, Senate Judiciary Committee
10th Senatorial District

cc: Secretary Hassel
Will Danowski