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**SB-150 Personal Income Tax Law: exclusion: student loan debt forgiveness.** (2015-2016)

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**Senate Bill No. 150**

**CHAPTER 650**

An act to add and repeal Section 17144.7 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[ Approved by Governor October 08, 2015. Filed with Secretary of State October 08, 2015. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 150, Nguyen. Personal Income Tax Law: exclusion: student loan debt forgiveness.

The Personal Income Tax Law provides for various exclusions from gross income, including an exclusion for the amount of student loan indebtedness repaid or canceled pursuant to a specified federal law.

This bill would exclude from gross income the amount of student loan indebtedness discharged on or after January 1, 2015, and before January 1, 2020, for an eligible individual who is granted a discharge under specified conditions, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 17144.7 is added to the Revenue and Taxation Code, to read:

**17144.7.** (a) Section 108(f)(1) of the Internal Revenue Code is modified to additionally provide that in the case of an individual, gross income does not include any amount that, but for this section, would be includable in gross income by reason of the discharge, in whole or in part, of any student loan if the individual is an eligible individual for the taxable year.

(b) Section 108(f)(2) of the Internal Revenue Code, relating to student loan, is modified to additionally provide that a student loan means a student obligation note or other debt evidencing a loan to any individual for the purpose of attending a for-profit higher education company or for the purpose of consolidating or refinancing a loan used to attend a for-profit higher education company, which is either a guaranteed student loan, an educational loan, or a loan eligible for consolidation or refinancing under Part B of Title IV of the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1071 et seq.).

(c) For purposes of this section, an individual is an eligible individual for a taxable year if any of the following apply during the taxable year:

- (1) The individual is granted a discharge of any student loan pursuant to the discharge agreement.

(2) The individual is granted a discharge of any student loan pursuant to paragraph 23 of the William D. Ford Federal Direct Loan Program Borrower's Rights and Responsibilities Statement because of either of the following:

(A) The individual could not complete a program of study because the school closed.

(B) The individual successfully asserts that the school did something wrong or failed to do something that it should have done.

(3) The individual attended a Corinthian Colleges, Inc. school on or before May 1, 2015, is granted a discharge of any student loan made in connection with attending that school, and that discharge is not covered by paragraph (1) or (2).

(d) For purposes of this section, "discharge agreement" means the agreement between ECMC Group, Inc., Zenith Education Group, and the Consumer Financial Protection Bureau concerning the purchase of certain assets of Corinthian Colleges, Inc., dated February 2, 2015.

(e) This section shall apply to discharges of indebtedness occurring on or after January 1, 2015, and before January 1, 2020.

(f) This section shall remain in effect only until December 1, 2020, and as of that date is repealed.

**SEC. 2.** This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.