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SB-63 Personal Income Tax Law: exclusion: student loan debt forgiveness. (2019-2020)

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Senate Bill No. 63

CHAPTER 468

An act to add and repeal Section 17144.6 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor October 02, 2019. Filed with Secretary of State October 02, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

SB 63, Hertzberg. 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, 2019, and before January 1, 2024, for an eligible individual who is granted a discharge under specified conditions, as provided, including that the individual attended a Brightwood College school or a location of The Art Institute of California.

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 17144.6 is added to the Revenue and Taxation Code, to read:

17144.6. (a) Section 108(f)(1) of the Internal Revenue Code, relating to student loans in general, 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) (A) The individual is granted a discharge of any student loan pursuant to subdivision (c) of Section 685.206 of Title 34 of the Code of Federal Regulations, as it read January 1, 2019, because the individual successfully asserts that the school did something wrong or failed to do something that it should have done.

(B) The individual is granted a discharge of any student loan pursuant to paragraph (1) of subdivision (a) of Section 685.214 of Title 34 of the Code of Federal Regulations, as it read January 1, 2019, because the individual could not complete a program of study due to the school closing.

(2) The individual attended a Brightwood College school on or before December 5, 2018, and is granted a discharge of any student loan made in connection with attending that school, and that discharge is not covered by paragraph (1).

(3) The individual attended a location of The Art Institute of California and is granted a discharge of any student loan made in connection with attending that school, and that discharge is not covered by paragraph (1).

(d) This section shall apply to discharges of indebtedness occurring on or after January 1, 2019, and before January 1, 2024.

(e) This section shall remain in effect only until December 1, 2024, and as of that date is repealed.

SEC. 2. It is the intent of the Legislature to apply the requirements of Section 41 of the Revenue and Taxation Code to this act. With respect to Section 17144.6 of the Revenue and Taxation Code, as added by this act, the Legislature finds and declares the following:

(a) The specific goals, purposes, and objectives of the tax exclusion allowed by Section 17144.6 of the Revenue and Taxation Code, as added by this act, are as follows:

(1) Remove tax liability on forgiven federal loan debt incurred by students who attended a Brightwood or Art Institute College.

(2) Provide financial relief to students affected by the Brightwood and Art Institute closures.

(3) Incentivize students affected by the Brightwood and Art Institute closures to stay in California and continue their educations in order to be an integral part of the state's workforce and economy.

(b) The detailed performance indicator for the Legislature to use in determining whether the tax exclusion allowed by Section 17144.6 of the Revenue and Taxation Code, as added by this act, meets the goals, purposes, and objectives described in subdivision (a) is the number of students taking advantage of the tax exclusion.

(c) The data collection requirements for the tax exclusion allowed by Section 17144.6 of the Revenue and Taxation Code, as added by this act, are as follows:

(1) The Legislative Analyst's Office shall prepare and make available a report on the effectiveness of the tax exclusion allowed by Section 17144.6 of the Revenue and Taxation Code, as added by this act. The Legislative Analyst may request information from the Franchise Tax Board for the purposes of this subdivision.

(2) The Franchise Tax Board shall provide any data requested by the Legislative Analyst's Office pursuant to this subdivision, as allowed pursuant to the Revenue and Taxation Code.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.