

House File 434 - Introduced

HOUSE FILE 434

BY R. TAYLOR

A BILL FOR

1 An Act exempting from the individual income tax the amount
2 of income resulting from the discharge of certain student
3 loan debt on account of death and including retroactive
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.7, Code 2017, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 18. Subtract, to the extent included,
4 the amount of income resulting from a discharge of qualified
5 student loan debt on account of the death of the student or
6 borrower. For purposes of this subsection, "*qualified student*
7 *loan*" means a student loan as defined in section 108(f)(2)
8 of the Internal Revenue Code or a private education loan as
9 defined in 15 U.S.C. §1650(a)(7).

10 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
11 retroactively to January 1, 2017, for tax years beginning on
12 or after that date.

13 EXPLANATION

14 The inclusion of this explanation does not constitute agreement with
15 the explanation's substance by the members of the general assembly.

16 Under current law for federal income tax purposes and Iowa
17 income tax purposes, a discharge (cancellation) of student
18 loan debt on account of death results in taxable income to
19 the debtor for the amount of the debt discharged. This bill
20 exempts, for Iowa individual income tax purposes, income
21 resulting from a discharge of qualified student loan debt on
22 account of the death of the student or borrower.

23 "Qualified student loan" is defined in the bill, but
24 generally includes postsecondary education student loans made
25 by the United States or a federal agency or instrumentality, a
26 state or political subdivision of a state, a tax-exempt public
27 benefit corporation controlling a hospital, certain educational
28 organizations, or private educational lenders.

29 The bill applies retroactively to January 1, 2017, for tax
30 years beginning on or after that date.