

117TH CONGRESS
1ST SESSION

S. 496

To amend the Internal Revenue Code of 1986 to exclude from taxable income any student loan forgiveness or discharge.

IN THE SENATE OF THE UNITED STATES

MARCH 1, 2021

Mr. MENENDEZ (for himself and Ms. WARREN) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to exclude from taxable income any student loan forgiveness or discharge.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Loan Tax Re-
5 lief Act”.

6 **SEC. 2. MODIFICATION OF TREATMENT OF STUDENT LOAN**
7 **FORGIVENESS.**

8 (a) IN GENERAL.—Section 108(f) of the Internal
9 Revenue Code of 1986 is amended—

1 (1) by striking paragraphs (1) and (2) and in-
2 serting the following:

3 “(1) IN GENERAL.—In the case of an indi-
4 vidual, gross income does not include any amount
5 which (but for this subsection) would be includible in
6 gross income by reasons of the discharge (in whole
7 or in part) of—

8 “(A) any loan provided expressly for post-
9 secondary educational expenses, regardless of
10 whether provided through the educational insti-
11 tution or directly to the borrower, if such loan
12 was made, insured, or guaranteed by—

13 “(i) the United States, or an instru-
14 mentality or agency thereof,

15 “(ii) a State, territory, or possession
16 of the United States, or the District of Co-
17 lumbia, or any political subdivision thereof,
18 or

19 “(iii) any institution of higher edu-
20 cation,

21 “(B) any private education loan (as de-
22 fined in section 140(a)(7) of the Truth in Lend-
23 ing Act),

1 “(C) any loan made by any educational or-
2 ganization described in section 170(b)(1)(A)(ii)
3 if such loan is made—

4 “(i) pursuant to an agreement with
5 any entity described in subparagraph (A)
6 or any private education lender (as defined
7 in section 140(a) of the Truth in Lending
8 Act) under which the funds from which the
9 loan was made were provided to such edu-
10 cational organization, or

11 “(ii) pursuant to a program of such
12 educational organization which is designed
13 to encourage its students to serve in occu-
14 pations with unmet needs or in areas with
15 unmet needs and under which the services
16 provided by the students (or former stu-
17 dents) are for or under the direction of a
18 governmental unit or an organization de-
19 scribed in section 501(c)(3) and exempt
20 from tax under section 501(a), or

21 “(D) any loan made by an educational or-
22 ganization described in section 170(b)(1)(A)(ii)
23 or by an organization exempt from tax under
24 section 501(a) to refinance a loan to an indi-
25 vidual to assist the individual in attending any

1 such educational organization but only if the re-
 2 financing loan is pursuant to a program of the
 3 refinancing organization which is designed as
 4 described in subparagraph (C)(ii).”;

5 (2) by striking paragraph (5);

6 (3) by redesignating paragraphs (3) and (4) as
 7 paragraphs (2) and (3), respectively; and

8 (4) in paragraph (2), as so redesignated, by—

9 (A) striking “made by an organization de-
 10 scribed in paragraph (2)(D)” and inserting
 11 “made by an organization described in para-
 12 graph (1)(C) or made by a private education
 13 lender (as defined in section 140(a)(7) of the
 14 Truth in Lending Act)”;

15 (B) inserting “or for such private edu-
 16 cation lender” after “either such organization”.

17 (b) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to discharges of loans after Janu-
 19 ary 31, 2020.

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