

Revenue Information Bulletin 22-017
September 14, 2022
Individual Income Tax

Louisiana Tax Implications of Federal Student Loan Forgiveness

On August 24, 2022, President Biden announced a plan that, in part, provides up to \$20,000 in student loan forgiveness to Pell Grant recipients with loans held by the U.S. Department of Education and up to \$10,000 in student loan forgiveness to non-Pell Grant recipients. Taxpayers who have either a federal filing status of single and earn less than \$125,000 or a federal filing status of married filing jointly and earn less than \$250,000 are eligible for the federal student loan forgiveness.

The purpose of this bulletin is to explain the effect any federal student loan forgiveness may have on individuals subject to Louisiana individual income tax.

Student Loan Tax Relief Act

On March 11, 2021, the American Rescue Plan Act (“ARP”) was enacted as a part of the broader federal response to the COVID-19 pandemic. Included within the ARP is Section 9675, entitled the Student Loan Tax Relief Act (“SLTRA”). The Act excludes any amount of qualifying student loan forgiveness from federal gross income when such amounts are discharged after December 31, 2021, but before January 1, 2026.¹ Specifically, the SLTRA amends Internal Revenue Code Section 108, which governs discharge of indebtedness, to create a limited-time exception for qualifying student loans, which includes, among others, the following types of student loans, as provided in Internal Revenue Code Section 108(f)(5)(A):

(A) any loan provided expressly for postsecondary educational expenses, regardless of whether provided through the educational institution or directly to the borrower, if such loan was made, insured, or guaranteed by—

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¹Generally, unless otherwise excluded, student loan forgiveness constitutes a discharge of indebtedness, which is included in federal gross income under Internal Revenue Code Section 61.

Louisiana Individual Income Tax

For individual taxpayers in Louisiana, the starting point for determining Louisiana’s tax table income is the taxpayer’s “adjusted gross income” (“AGI”), which is defined as the adjusted gross income of the individual for the taxable year that is reportable on the individual’s federal income tax return.² Because Louisiana largely conforms to federal tax law for purposes of individual income tax, amounts that are exempt from federal tax, and therefore not includable in the taxpayer’s adjusted gross income, will automatically be exempt from Louisiana tax without further action.

As such, for taxpayers qualifying for federal student loan forgiveness pursuant to President Biden’s plan, any amounts so forgiven will likely be automatically excluded from a taxpayer’s AGI and exempt from Louisiana tax.

Address questions concerning this Revenue Information Bulletin to Policy.Publications@La.gov.

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² LA R.S. 47:293(1)

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