



# Pennsylvania Conference of Teamsters

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## LEGISLATIVE ACTION ALERT

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### **Gov. Wolf: State to Provide Big Savings to Many Workers by Not Taxing Student Loan Forgiveness**

Applies to the Public Service Loan Forgiveness (PSLF) Program and the Pennsylvania Student Loan Relief for Nurses (SLRN)

Governor Tom Wolf announced today that Pennsylvanians will not have to pay state income tax on the student loan debt relief they get from the federal Public Service Loan Forgiveness (PSLF) Program and the Pennsylvania Student Loan Relief for Nurses (SLRN) Program. The decision by the Wolf Administration will save people eligible for those programs potentially thousands of dollars in state tax.

“The point of student loan forgiveness programs for public servants is that these are people who have chosen jobs, often in lower paying fields, because they want to make a difference,” said Gov. Wolf. “It’s wrong to take what should be a blessing and turn it into just another burden.

“As a commonwealth and as a nation, we can’t afford for astronomical student loan debt to keep talented people from choosing to serve as teachers, firefighters, or nurses. We need to make sure that financial burdens don’t keep our best and brightest from taking on some of our most important jobs. Ensuring that student loan forgiveness through the PSLF and SLRN programs is not considered taxable income will remove one more barrier for Pennsylvanians who are working to make a difference in our communities.”

Student loan forgiveness is not considered taxable income at the federal level, and the decision announced by the governor brings Pennsylvania in line with the majority of other states. It also removes an immense burden from student borrowers who receive loan forgiveness in Pennsylvania by ensuring that they aren’t surprised by a large tax bill the year they receive their loan forgiveness.

The SLRN Program was established to help nurses in Pennsylvania who have worked tirelessly to fight the COVID-19 pandemic continue in the nursing profession by relieving some of the burden of student loans.

The PSLF Program is a federal program that permits Direct Loan borrowers who make 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer to have the remainder of their student loan balance forgiven. Qualifying employers include federal, state, local and tribal governments, as well as 501(c)(3) non-profits.

**As an example, a Pennsylvanian with \$50,000 in student loans forgiven through PSLF will avoid the unpleasant surprise of a \$1,535 state income tax bill.**

“I want to thank Senator Bob Casey and state Senators Katie Muth, Steve Santarsiero and Lindsey Williams for bringing this issue to my attention,” said Gov. Wolf. “Their advocacy helped my administration bring about a crucial change to better support hard-working Pennsylvanians trying to build a life while making life better for their neighbors.”

Gov. Wolf took action by encouraging the Department of Revenue to revisit prior guidance on loan forgiveness to make sure that Pennsylvania residents benefitting from student loan forgiveness programs such as PSLF and SLRN are not surprised by a tax bill from the state.

“Pennsylvanians have some of the highest student loan debt in the country – and when these students are finally eligible to see some of their loan forgiven through public service, they should not be burdened with a surprise tax bill,” Sen. Muth said. “I appreciate that the Administration and Department of Revenue took swift action to make this vital change to our state tax regulations. Thank you to Senator Lindsey Williams for leading on this important issue for the many of us with outstanding student loans, and to all of the staff who worked hard to make this happen.”

“Our public-school teachers, nurses, counselors and other public service employees shoulder the demanding work of preparing our children for successful and enriching lives,” Sen Santarsiero said. “This fix to the tax bulletin will support these employees to focus on their careers serving our communities without being saddled with an unexpected state tax burden.”

“I’m grateful for the swift action by the Governor’s Administration after my colleagues and I raised this issue on behalf of our constituents,” said Sen. Williams. “Student loan debt is a massive hurdle that prevents many Americans from investing in their communities and local economies. I’m overjoyed that those who qualify for these loan forgiveness programs, like teachers and nurses, will no longer face a surprise tax bill just because they live in Pennsylvania.”

The Department of Revenue issued a revised tax bulletin today to clarify the language around student loan forgiveness and make clear that loan forgiveness through PSLF and SLRN is not considered taxable income.