2018 State Public Policy Priorities

Promote Student Loan Repayment Assistance for Iowa Workers

Enhance Iowa’s ability to attract and retain a top-quality workforce for the future by enacting a state income tax exclusion for Iowa employees who receive proceeds from employer-sponsored student loan repayment benefit programs.

Current state tax law provides an exclusion from an employee’s income tax liability for tuition assistance benefits paid by employers. However, employer payment of existing student loan debt, already acquired for similar purposes, is fully taxed. As an additional tool for attracting and retaining a top-quality workforce in Iowa, for the future, we believe excluding employer-sponsored student loan repayment proceeds income tax liability would be a differentiating factor for our state. Also, additional payments lowering student loan indebtedness by Iowans would not only help enhance Iowa’s workforce but strengthen our economy in the years ahead. We encourage the General Assembly to enact this policy in 2018.

End Tax on Loan Forgiveness Due to Student Borrower Death or Disability

Put an end to state income tax penalty on families and borrowers in distress by coupling with recently approved federal tax exemption for student loan forgiveness granted when the student borrower dies or becomes totally and permanently disabled.

Iowa Student Loan follows recommended best practices to forgive student loans in cases where the borrower dies or becomes totally and permanently disabled. In years through 2017, the amount forgiven was subject to income tax for both federal and state returns. However, effective Jan. 1, 2018, federal law now provides an exemption for such student loan forgiveness. As a matter of fairness to borrowers and families and to enhance simplicity of tax filing for state and federal returns, we support “coupling” Iowa tax law to the recently enacted federal provision on exemption of loan forgiveness proceeds in cases of death or total and permanent disability of the student borrower. We encourage the General Assembly to enact this policy in 2018.