

# Borrowers who receive federal loan forgiveness may owe taxes on it in some states

[cnav.news/2022/09/08/accountability/borrowers-who-receive-federal-loan-forgiveness-may-owe-taxes-on-it-in-some-states/](https://cnav.news/2022/09/08/accountability/borrowers-who-receive-federal-loan-forgiveness-may-owe-taxes-on-it-in-some-states/)

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Some states may tax the recipients of President Biden’s federal student loan forgiveness program due to laws on the books that tax forgiven loans as income.

Several states will be taxing federal student loan recipients who get \$10,000-20,000 of their federal student loans forgiven unless their state governments can move to change the tax laws in time. Arkansas, Mississippi, Minnesota, North Carolina, and Wisconsin all currently have laws that would count any amount of a loan forgiven as taxable income, according to the Tax Foundation.

“As a general rule, a discharge of indebtedness counts as income and is taxable,” said Will McBride [explains](#). “Under § 9675 of the American Rescue Plan Act (ARPA), however, the forgiveness of student loan debt between 2021 and 2025 does not count toward federal taxable income. States which follow the federal treatment here will likewise exclude debt forgiveness from their own state income tax bases. But, for a variety of reasons, not every state does that.”

Of the states in question, only some have committed to making changes to their tax laws that would prevent federal loan forgiveness recipients from owing taxes on their canceled loan amounts. Leaders in Minnesota and Wisconsin have said they will move to change the laws, and in others, lawmakers have expressed they would consider it.

“I’m sure people will want to look at adjusting that or making some changes in the law, but a lot of factors have to be considered,” Mississippi State Senator Josh Harkins (R-Brandon) said to PBS. “This all just hit in the last week.”