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dollars on their state tax returns.

Aug. 29, 2022



*By Laura Davison, Bloomberg News (TNS)*

Residents of New York, Virginia and eleven other states could end up with a surprise tax hit of hundreds of dollars next year on forgiven student loans.

President Joe Biden's announcement that the government would forgive some student debt for individuals earning less than \$125,000 was welcome news to many

It's possible that some of the 13 states where the laws would tax these forgiven student loans will revise their rules before the taxes are due next spring. Depending on the state, that could come in the form of an administrative change from the governor or state tax department, or may require the state legislature to pass a new law.

Jared Walczak, a vice president at the Tax Foundation focusing on tax policy,

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Hawaii	\$1,100
Idaho	\$600
Kentucky	\$500
Massachusetts	\$500
Minnesota	\$985
Mississippi	\$500
New York*	\$685
Pennsylvania	\$307
South Carolina	\$700
Virginia	\$575
West Virginia	\$650
Wisconsin*	\$530
*Calculation in these states does not assume top marginal rate because it would apply to relatively few eligible beneficiaries.	

Source: [Tax Foundation](#), courtesy of Bloomberg News

Walczak said that states will need to act with “some urgency” if they want to make changes to how their tax laws treat student loans in light of Biden’s changes. He added that it isn’t likely to matter whether the state is led by Republicans or Democrats. Since the change has already been made at the federal level, there will be some pressure on states to reduce tax burdens for their residents, he said.

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