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## DEBT CANCELLATIONS

Rep. Steven Owens said the state Legislature has exempted forgiven student loans from taxable income.

Aug. 31, 2022



*By Tristan Smith, Masslive.com (TNS)*

Rep. Steven Owens corrected a Tax Foundation report that included Massachusetts on a list of 12 states that could include discharged student loan debt as taxable income after the Biden administration's decision to offer between \$10,000 to \$20,000 in student loan debt forgiveness.

“I’m happy to say that the legislature has already exempted forgiven student loans

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The Massachusetts Department of Revenue has also decided to follow the federal government’s lead in excluding forgiven student loan debt from income up until Dec. 31, 2025, according to a [release](#).

On [Tuesday](#), the Tax Foundation released its list of states that could include discharged student loan debt as taxable income—though it may shrink if legislative or administrative changes are made to exclude debt forgiveness.

“While the debt—if retained—would have been paid over a period of years, the debt cancellation is included in income in the year in which it is taxed,” [wrote Jared Walczak](#), vice president of state projects for the Tax Foundation. “In the coming weeks and months, we are likely to see states issue guidance on the treatment of discharged student loan debt.”

Student loan borrowers who make less than \$125,000 can have up to \$10,000 of their loans canceled, [the Biden administration announced last week](#), while Pell Grant recipients could see \$20,000 cut from their federal student loan debt.

The Biden administration also announced an extension of the pause on federal student loan payments through Dec. 31. And anyone with an undergraduate loan can cap their monthly payments at 5% of their monthly income.

Debt forgiveness generally counts as income, making it taxable, but under the American Rescue Plan Act, student loan debt forgiveness between 2021 and 2025 does not count toward federal taxable income, according to the Tax Foundation.

“States which follow the federal treatment here will likewise exclude debt forgiveness from their own state income tax bases,” Walczak wrote. “But, for a variety of reasons, not every state does that.”

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