

EXHIBIT-F
SHARP-3: Federal Tax Exemption for SHARP Loan Repayment

Tax Exemption of LRP Payments
Clarified by Federal ACA Law

Federal law (PL 111-148, Sec 10908) clarified the question of federal taxability of state loan repayment programs.

Section 10908 puts the state loan repayment programs on par with the NHSC and federal/state SLRP programs in terms of federal exemption from taxability.

Quarterly loan repayments are made by SHARP directly to the eligible loan lender, and therefore are exempt from federal personal income tax.

The key passage follows:

SEC. 10908. EXCLUSION FOR ASSISTANCE PROVIDED TO PARTICIPANTS IN STATE STUDENT LOAN REPAYMENT PROGRAMS FOR CERTAIN HEALTH PROFESSIONALS.

(a) IN GENERAL. — Paragraph (4) of section 108(f) of the Internal Revenue Code of 1986 is amended to read as follows: “(4) PAYMENTS UNDER NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENT PROGRAM AND CERTAIN STATE LOAN REPAYMENT PROGRAMS.—In the case of an individual, gross income shall not include any amount received under section 338B(g) of the Public Health Service Act, under a State program described in section 338I of such Act, or under any other State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas (as determined by such State).” (Effective: 12/31/08)

For Alaska’s SHARP Program, there are two aspects of note:

- **SHARP-1 & SHARP-2:**

All SHARP loan repayments that have been issued to-date have all been presented, and treated by all parties, as exempt from federal personal income taxation. This is not new, but rather, has been SHARP’s practice under advisement, from program inception.

- **SHARP-3:**

Note the key final phrasing, which read, “...or under any other State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas (as determined by such State).” Thus, this language also directly relates to the proposed SHARP-3 loan repayment option.