

BY SEN. KERTTULA, Kelly, Faiks, Rodey, Sturgulewski

1 IN THE SENATE

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SENATE JOINT RESOLUTION NO. 57

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SIXTEENTH LEGISLATURE - SECOND SESSION

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Relating to taxation of certain student

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loans.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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WHEREAS many student loans made before July 1, 1987, are eligible for

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up to 50 percent forgiveness under the state student loan program; and

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WHEREAS, under sec. 108(f) of the Internal Revenue Code, a student

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loan that is forgiven is nontaxable income if the recipient works for a

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certain period of time in certain professions; and

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WHEREAS the Internal Revenue Code tax exemption does not cover loans

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forgiven under the state student loan program because state loan forgive-

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ness is conditioned on residency in the state, not on employment in a

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certain profession; and

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WHEREAS many state residents who benefited from the student loan

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program were unaware of their tax liability and assumed that a forgiven

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student loan was similar to a grant; and

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WHEREAS it is fundamentally unfair to impose a tax on people who

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relied on the apparent position of the I.R.S. and assumed that a forgiven

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student loan was not taxable; and

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WHEREAS many students who have completed their education are now

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facing the prospect of paying back taxes plus interest on amounts forgiven

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in 1987 and 1988 on student loans; and

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WHEREAS the tax liability associated with a student loan will elimi-

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nate a strong and positive effect of the forgiveness program, the incentive

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to return to the state after graduation; and

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WHEREAS the Congress is considering S. 1803 and H.R. 3518, both of

1 which would change the tax exemption for student loans and allow loans that
2 are forgiven by this state to be exempt from taxation by the federal gov-
3 ernment;

4 BE IT RESOLVED that the Alaska State Legislature urges the Congress to
5 consider and pass either S. 1803 or H.R. 3518 thereby allowing student
6 loans made by this state that qualify for forgiveness to be exempt from
7 taxation.

8 COPIES of this resolution shall be sent to the Honorable George Bush,
9 President of the United States; the Honorable Dan Rostenkowski, U.S. Repre-
10 sentative and Chair of the Joint Committee on Taxation; the Honorable Lloyd
11 Bentsen, U.S. Senator and Vice-Chair of the Joint Committee on Taxation;
12 and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
13 Senators, and the Honorable Don Young, U.S. Representative, members of the
14 Alaska delegation in Congress.