

HJR

65

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. HESS 2/22/90

H. HESS 3/5/90

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 10, 1990

FURTHER REFERRALS:

Date of Committee Action: 3/5/90

The HEALTH, EDUCATION, & SOCIAL SERVICES Committee considered: HJR 65

HOUSE JOINT RES. NO. 65

STUDENT LOAN TAXATION

Relating to taxation of certain student loans.

RECOMMENDATIONS:

- be replaced with CS HJR 65 (HESS) the same title
 have attached amendment(s) a new title
 do pass
 do not pass
 no recommendation
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____ fiscal note(s) _____
 zero fiscal note HESS Committee zero fiscal note(s) _____
 zero with analysis _____ zero fn/analysis _____

SIGNING DO PASS

SIGNING:
(Check approp. column)

Do Not
PASS
No Rec
Amend

J. Ellis

W. Thompson
Cheri Dallis
Mark Baker
John Doe

	Do Not PASS	No Rec	Amend

J. Ellis
Chairman's Signature

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 101500, Anchorage, Alaska 99510

Person to Contact: J. Eshelman

Telephone Number:
(907) 261-4250

Refer Reply to:

E:2001

Date: 1-23-90

Dear _____

The Alaska Commission on Postsecondary Education recently provided the Internal Revenue Service with the names and Social Security numbers of those borrowers who had a portion of their Student Loan forgiven during 1987 or 1988. The amount of forgiveness benefits is taxable as income for the tax year in which it was obtained.

The information provided by the State of Alaska indicates that you received the following forgiveness benefits:

Tax Year 87/2: \$ 5,944.08

Upon review of your Federal Income Tax return for the year(s) listed above, the forgiveness does not appear to have been reported on your return. The enclosed report shows the tax and interest due after the forgiveness benefits have been included as income. If you agree with our adjustment, please sign and return one copy of the report. The other copy should be kept for your records. If you are unable to pay the amount due at this time, we will bill you.

If you did report the benefits, please explain where the income appears on your return. Please provide a copy of your amended return (Form 1040X), if one has been filed. If you believe the amount of forgiveness is incorrect, please attach any supporting material you want us to consider. When you send the information or write to us, please include a telephone number where you can be reached during the day. This will allow us to contact you directly if we have any questions about your information.

Please respond within 30 days from the date of this letter. A postage-paid envelope has been included for your convenience. If you have any questions, you may contact the number shown above.

Very truly yours,

J. B. Eshelman

Tax Auditor

Report of Individual
Income Tax Examination Changes

Department of the Treasury
Internal Revenue Service

DATE OF REPORT: 01/22/90
 SOC. SEC. NUMBER:
 FORM: 1040
 YEAR: 1989
 FILING STATUS: SINGLE
 EXAMINING DISTRICT: 092
 NAME OF EXAMINER: J ESHELMAN
 IN REPLY REFER TO: DE3001JE

EXPLANATION REASONS	INCOME AND DEDUCTION AMOUNTS ADJUSTED	ADJUSTMENT INCREASE (DECREASE)
1. 1040 FILE	AN STUDENT LOAN FORGIVENESS DELINQUENTLY	5,999.00
A. ADJUSTMENTS TO INCOME AND OF DEDUCTIONS	INCREASE	5,999.00
B. FILE TAXABLE INCOME AS SHOWN ON RETURN		9,537.00
C. CORRECTED TAXABLE INCOME		35,537.00
D. TAX COMPUTED WITH 1 EXEMPTIONS	TAX TABLE	4,905.00
E. CORRECTED TAX		4,905.00
F. LESS TAX AS SHOWN ON RETURN		3,225.00
G. DEFICIENCY		1,680.00
H. BALANCE DUE		1,680.00
I. PENALTIES: DELINQUENCY PENALTY, SEC. 6651(A)(1) I.R.C.		119.50

ALTHOUGH THIS REPORT IS SUBJECT TO REVIEW, YOU MAY CONSIDER IT AS YOUR NOTICE THAT YOUR CASE IS CLOSED IF YOU ARE NOT NOTIFIED OF AN EXCEPTION TO THESE FINDINGS WITHIN 45 DAYS AFTER A SIGNED COPY OF THIS REPORT OR A SIGNED WAIVER, FORM 870, IS RECEIVED BY THE DISTRICT DIRECTOR. IF YOU AGREE, PLEASE SIGN ONE COPY OF THIS REPORT, AND RETURN IT IN THE ENCLOSED ENVELOPE. KEEP THE OTHER COPY WITH YOUR RECORDS.

CONSENT TO ASSESSMENT AND COLLECTION - I DO NOT WISH TO EXERCISE MY RIGHTS WITH THE INTERNAL REVENUE SERVICE OR TO CONTEST IN THE UNITED STATES TAX COURT THE FINDINGS IN THIS REPORT. THEREFORE, I CONSENT TO THE IMMEDIATE ASSESSMENT AND COLLECTION OF THE TOTAL DUE ON THE ATTACHED EXPLANATION OF ADJUSTMENTS.

TAXPAYER SIGNATURE

DATE

SPICER'S SIGNATURE
(IF JOINT RETURN FILED)

DATE

EXPLANATION OF ADJUSTMENTS

1987

01/22/90

TOTAL AMOUNT DUE AS A RESULT
OF THE EXAMINATION ON 01/22/90 \$ 2,107.32

ADDITIONAL TAXES:

BALANCE DUE

1,680.00

TOTAL ADDITIONAL TAXES:

1,680.00

INTEREST:

INTEREST DUE BASED ON STATUTORY

INTEREST RATES

362.07

TOTAL ADDITIONAL TAXES PLUS INTEREST

2,042.07

PENALTIES:

DELINQUENCY PENALTY

DELINQUENCY PENALTY I.R.C. 6651

119.50

25% OF 478.00

TOTAL DELINQUENCY PENALTY

119.50

INTEREST ON DELINQUENCY PENALTY

25.75

TOTAL PENALTIES

145.25

 TOTAL ADDITIONAL TAXES, INTEREST AND
 PENALTIES AS OF 01/22/90 \$ 2,187.32

ADDITIONAL INTEREST WILL BE CHARGED AT THE CURRENT RATE OF 11 PERCENT COMPOUNDED DAILY. INTEREST IS CHARGED FROM THE ORIGINAL DUE DATE OF THE RETURN TO THE EARLIER OF THE DATE OF PAYMENT, A DATE 30 DAYS AFTER AN AGREEMENT TO THE ADDITIONAL TAX IS SIGNED, OR THE ASSESSMENT DATE. NEGLIGENCE AND FRAUD PENALTIES, IF APPLICABLE, WILL ALSO CONTINUE TO BE CHARGED. GENERALLY, IF NOTICE AND DEMAND IS MADE FOR PAYMENT OF ANY AMOUNT, AND THAT AMOUNT IS PAID WITHIN 10 DAYS AFTER THE DATE OF THE NOTICE AND DEMAND, INTEREST ON THE AMOUNT PAID WILL NOT BE CHARGED AFTER THE DATE OF THE NOTICE AND DEMAND. SINCE ADDITIONAL TAX IS DUE, YOU MAY WANT TO PAY IT NOW AND LIMIT THE INTEREST AND PENALTY CHARGES. PLEASE MAKE YOUR CHECK PAYABLE TO INTERNAL REVENUE SERVICE.

IN ARRIVING AT YOUR TAX DEFICIENCY, AMOUNTS HAVE BEEN ROUNDED TO THE NEAREST DOLLAR.

CONTINUED ON NEXT PAGE

PAGE 2

EXPLANATION OF ADJUSTMENTS

1987

01/22/90

CONTINUED FROM PRECEDING PAGE

IRS HAS EXCHANGE AGREEMENTS WITH STATE TAX AGENCIES UNDER WHICH INFORMATION ABOUT INCREASES OR DECREASES IN FEDERAL TAX LIABILITY IS EXCHANGED WITH STATES. YOU SHOULD CHECK YOUR STATE TAX RETURN AND FILE AN AMENDED RETURN IF THIS CHANGE AFFECTS YOUR STATE INCOME TAX LIABILITY.

YOU MAY BE SUBJECT TO BACKUP WITHHOLDING IF YOU UNDERREPORT YOUR INTEREST, DIVIDEND, OR PATRONAGE DIVIDEND INCOME AND DO NOT PAY THE TAX. BACKUP WITHHOLDING, AT THE RATE OF 20 PERCENT, MAY BE ORDERED BY THE IRS AFTER YOU HAVE RECEIVED FOUR NOTICES ABOUT BACKUP WITHHOLDING, ISSUED OVER 120 DAYS, AND THE TAX HAS BEEN ASSESSED AND REMAINS UNPAID.

1404 AK STUDENT LOAN FORGIVENESS

THE AMOUNT OF YOUR DEBT IS INCLUDIBLE IN INCOME IN THE YEAR IN WHICH IT WAS FORGIVEN.

SHOWN ON RETURN OR AS PREV. ADJUSTED	\$	0.00
CORRECTED AMOUNT	\$	5,999.00
ADJUSTMENT	\$	5,999.00

8115 DELINQUENCY

SINCE YOU DID NOT FILE YOUR RETURN WITHIN THE TIME PRESCRIBED BY LAW, AND YOU DID NOT SHOW THAT SUCH FAILURE WAS DUE TO REASONABLE CAUSE, A PENALTY OF 5 PERCENT IS ADDED TO THE TAX FOR EACH MONTH OR A PART OF A MONTH (BUT NOT TO EXCEED A TOTAL OF 25 PERCENT) FOR WHICH YOUR RETURN WAS LATE. IF YOUR RETURN WAS MORE THAN 60 DAYS LATE, THE MINIMUM PENALTY IS THE LESSER OF \$100 OR THE TAX DUE. THE PENALTY SHOWN HAS TAKEN INTO CONSIDERATION ANY PREVIOUSLY ASSESSED PENALTY. SEE SECTION 6651(A) OF THE INTERNAL REVENUE CODE.

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: Taxation of student loans

Agency Affected: _____
BRU: _____

Sponsor: Rep. Koponen
Requestor: House HESS

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Nordlund  Phone: 465-3759
Division: House HESS Staff Date: 3/5/90

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

MEMORANDUM

TO: REPRESENTATIVE KOPONEN
FROM: LISA MCLAREN
RE: HJR 65/STUDENT LOAN TAXATION
DATE: 2/21/90

I called Senator Stevens' office today regarding HJR 65 and was referred to staff attorney, Chuck Konigsberg. Chuck informed me that the IRS was supposed to respond later today to the charge that they are taxing ex-students for a year in which they received no monetary benefit. He called me at the end of the day, however, to say they had not contacted him, and that if he did not hear from them in a couple of days, he would be calling them himself.

He also said he thought it would be very helpful to have a resolution which referenced the Legislature assertion that the intent behind the forgiveness program was that it operate as a grant program. He felt that would be useful backup for the hearings to be held later this spring by Committee holding S. 1803. I told him House HESS would be hearing the resolution tomorrow and that I would fax him a copy with a note as to outcome after the hearing.

He also gave the usual statistic of thinking that S. 1803 has a fifty-fifty chance of passage.

INDEX TO HJR65 BACK-UP MATERIALS

1. Draft CSHJR 65 (HESS)
2. 10/12/89 memo Jane Maynard/Postsecondary Commission members
3. 11/29/89 memo Jane Maynard/Postsecondary Commission members
4. 1/4/90 letter w/attachments Kristen Bomengen (Law) to IRS
5. 1/23/90 IRS response to Ms. Bomengen's letter
6. 1/26/90 letter Jane Maynard/Senator Stevens
7. S. 1803
8. Section 108(f) Internal Revenue Code
9. Section 117 Internal Revenue Code
10. Student loan statutes
11. 1984 Revisors Bill (HCS CSSB 133(JUD))
12. 1981 FCCSSB 120

CS FOR HOUSE JOINT RESOLUTION NO. 65 (HESS)

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

WHEREAS the original intent of the forgiveness provision in the Alaska state student loan program was to provide a nontaxable grant to the student; and

WHEREAS many student loans made before July 1, 1987, are eligible for up to 50 percent forgiveness under the state student loan program; and

WHEREAS the Internal Revenue Service is currently treating Alaska student loan monies discharged through the forgiveness provision as taxable income; and

WHEREAS state residents who benefited from the student loan program were unaware of their tax liability and assumed that a forgiven student loan was no subject to taxation under federal law; and

WHEREAS many students who have completed their education are now facing the prospect of paying back taxes plus interest on amounts forgiven in 1987 and 1988 student loans; and

WHEREAS the Internal Revenue Service is currently interpreting the Internal Revenue Code as imposing tax liability in a year in which the student actually receives no cost savings from loan payment because of the student's eligibility for forgiveness; and

WHEREAS the Congress is considering S. 1803 and H.R. 3518, both of which would change the taxable status of student loans and allow loans that are forgiven by this state to be excluded from gross income for purposes of federal income taxation;

BE IT RESOLVED that the Alaska State Legislature urges the Congress to consider and pass either S. 1803 or H.R. 3518, thereby allowing that portion of student loans made by this state that qualify for forgiveness to be excludable from gross income for purposes of federal income taxation.

COPIES of this resolution shall be sent to the Honorable George Bush, President of the United States; the Honorable Dan Quayle, Vice-President of the United States and President of the U.S. Senate; the Honorable Thomas S. Foley, Speaker of the U.S. House of Representatives; to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; to the Honorable Fred T. Goldberg, Jr., Commission of the Internal Revenue Service; and to the Honorable William G. Demmert, Commissioner of the Alaska Department of Education.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P O BOX FP
JUNEAU ALASKA 99811-0599
PHONE (907) 465-2854

M E M O R A N D U M

TO: Members of the Alaska Commission on Postsecondary Education

Mr. John Havelock, Chair	Mr. Donald Eller
Ms. Patricia Abney	Senator Paul Fischer
Ms. Alice Bosshard	Ms. Karen Fultz
Ms. Ruth Burnett	Mr. Paul Harris
Mr. John Chenoweth	Mr. Mark Helmericks
Dr. Patricia Clark	Representative Niilo Koponen
Dr. April Crosby	Ms. Bettye Smith

FROM: Jane Byers Maynard, Executive Director
Alaska Commission on Postsecondary Education

SUBJECT: Internal Revenue Service Request Regarding Alaska
Student Loan Forgiveness Recipients

DATE: October 12, 1989

As you may be aware, the IRS has requested information from the Alaska Commission on Postsecondary Education concerning 1987 and 1988 Alaska Student Loan forgiveness recipients "for tax administration purposes." The information requested was public information subject to release at the request of the IRS.

Following the release of this information on September 28, 1989, we sent a courtesy letter dated October 3, 1989 to the forgiveness recipients to advise them that information had been given to the IRS and to provide an IRS contact number in the event of questions.

Understandably, this matter is of concern to a number of loan borrowers. In order to explain the sequence of events which led to the IRS request, the following information is provided for your use in responding to questions on this matter.

The Commission and the Alaska Student Loan Corporation have never received a ruling or correspondence from the IRS regarding the tax status of the forgiven portion of loans. To date, the Commission has only received an August 1989 request and a September 1989 clarification from the IRS for information concerning 1987 and 1988 forgiveness recipients. From press reports, it appears that the IRS took the action as part of an overall review of the tax status of Alaska benefit programs.

Members of the Alaska Commission
on Postsecondary Education
October 12, 1989
Page 2

The data requested included the borrower's name, current address, social security number, and amount of forgiveness benefit received. The information provided to the IRS covered 7,743 loans and approximately 5,900 borrowers (since some had multiple loans) and \$10.6 million in forgiveness over the two-year period. It has since come to our attention that the IRS operates under a three-year statute of limitations that precluded requests regarding forgiveness benefits received prior to 1987.

Prior to this event, our agency was directed on two occasions, in 1983 and 1986, by the Office of the Attorney General to avoid providing federal tax advice to loan recipients. Staff was advised instead to direct individual inquiries to the IRS.

In November 1988, Commission staff asked Price Waterhouse officials whether information return (Form 1099) reporting requirements applied to the forgiven portion of student loans. An informal opinion from IRS representatives told Price Waterhouse that forgiveness of loans does not constitute a "payment" although it may be income to the student, and therefore, there is no information reporting requirement on the part of the State. This was reported to the Alaska Student Loan Corporation.

No further action was taken on this matter until the 1989 request for information was received from the IRS. As a result of that request, we are now advising borrowers on both the forgiveness application and the forgiveness statement of the following:

REMINDER: The amount of your loan reduction under the forgiveness provisions of the Alaska Student Loan Program may be includable as gross income for tax purposes. We recommend you provide this information to your tax return preparer, or consult with a tax accountant prior to completing the return yourself.

We continue to be advised by the Office of the Attorney General to not give direct tax advice to individuals or take further action prior to a more formal determination of IRS action in this matter. Callers are being given the following toll-free number to contact the IRS for further information: 1-800-424-1040. In addition, we are working with Alaska's Congressional delegation in their review of this matter.

You will be advised of any further developments as they occur.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

P.O BOX FP
JUNEAU, ALASKA 99811-0599
PHONE: (907) 465-2854

Item 19

MEMORANDUM

TO: Members of the Alaska Commission on Postsecondary Education

FROM: Jane Byers Maynard, Executive Director *JBM*
Alaska Commission on Postsecondary Education

SUBJECT: Agenda Item 19: IRS Taxation of Student Loan Forgiveness Benefits

DATE: November 29, 1989

Enclosed are copies of correspondence you have already received summarizing the IRS taxation issue. As an update, I am including the Governor's response to legislative inquiries concerning possible state action on this matter.

It appears that the course of action that will be of most benefit to loan borrowers rests with our Congressional delegation. Senate Bill 1803 filed by Senator Stevens is the result of Congressional action to date. We have been advised that it may take a year or more to move this legislation through, so the bill contains a retroactive clause with a provision for refunds on taxes paid.

In the interim, borrowers are being advised to comply with the IRS. To give you an idea of the dollar amount facing most students, the average forgiveness benefit is estimated at \$850 per year. If taxed at 20% for example, most borrowers are facing a payment owed to the IRS of about \$170 for each year of forgiveness under review.

Commissioner Bosshard has asked for a one-page summary statement on this matter for your use in responding to borrower inquiries. This is an excellent suggestion and I will be happy to provide this at the Commission meeting.

Enclosure

STEVE COWPER, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

January 4, 1990

REPLY TO:

1031 W 4th AVENUE SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550
FAX: (907) 276-3697

1st NATIONAL CENTER
100 CUSHMAN ST. SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 452-1568
FAX: (907) 456-1317

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

465-3603

Robert Jackson
Internal Revenue Service
P.O. Box 101500
Anchorage, Alaska 99510

Re: Taxation of state-paid portion
of student loans

Dear Mr. Jackson:

I have enclosed copies of some of the legislative background that surfaced when I researched the development of Alaska's Scholarship Loan Program. As we discussed briefly about a week ago, it appears that the program was developed as an educational grant program, with grant benefits extended only to those who qualified by returning to the state after receiving a degree.

By way of brief summary, the state, at that time, was interested in encouraging people to remain in or return to the state to avert a "brain drain" that could be an indirect consequence of making an education more accessible to Alaskans through the scholarship loan program. The 1981 statutory change did not affect and was not intended to address the "grant" aspect of the program. It also appears unlikely the change would have been acceptable to the legislature had it been thought that returning students would face increased expenses by incurring tax liability during the early years after graduation.

As you can see from the enclosed documents, the original statutory language specifically stated that the forgiveness "portion of a loan shall be considered a grant" to the recipient or grantee who returns to the state. Because loans were only available to pay for specific school-related expenses,

and were not available for other purposes, these funds appear to fall within the requirements for educational or scholarship grants as set out in 26 U.S.C. 117(b).

In 1981, the statute underwent a number of other changes that included the addition of another 10 percent "forgiveness" benefit so that up to 50 percent of the original loan amount would be eligible for payment by the state if the recipient returned to the state after receiving an education. The letter of intent that was accepted by both legislative bodies, and published in the legislative journals, demonstrates that the concern of the legislature at the time was with reducing immediate costs for returning students so that they would not be burdened with high debts during the early years after graduation. (It should be noted that the practice of reimbursement that was endorsed in this letter was in effect for less than a year when it became apparent that it would not be a workable system. An administrative determination was made at that time, with the concurrence of legislative committee members, to stop sending checks to loan recipients while they still owed a considerable debt to the state.)

The statutory language that clearly designated that this state benefit program was intended to be a grant has been buried from view for many years. The most recent statutory provision addressing this benefit was repealed in 1987 and no longer appears in current Alaska statutes. Because it was repealed, students who obtained loans after the 1986-87 school year do not qualify for this state benefit.

The State of Alaska has a unique loan program and is beset by some unique problems. Among these problems are limited educational opportunities within the state, and a relatively high cost of living for students who may wish to return to the state after graduation. The loan program was intended to have the effect of reducing the costs to these students and providing an incentive for returning to the state shortly after graduation by designating a portion of the loan to be a grant upon return to the state.

There is good reason to consider, in light of the original statutory language, whether this state benefit may be more appropriately treated as an educational grant, as addressed in 26 U.S.C. 117, rather than a discharge of indebtedness under 26 U.S.C. 108.

Robert Jackson
Internal Revenue Service
Our file: 663-89-0403

January 4, 1990
Page 3

Please let me know if you have any questions or comments in light of this information about the original intent of the Scholarship Loan Program. I will be interested in hearing your thoughts about this matter.

Sincerely yours,

DOUGLAS B. BAILY
ATTORNEY GENERAL

By:


Kristen F. Bomengen
Assistant Attorney General

KFB:jh

Enclosure

cc: Jerry Leonard, District Counsel
Internal Revenue Service

✓ Jane Byers Maynard, Executive Director
Alaska Commission on Postsecondary Education

SPECIAL COMMITTEE REPORTS

FREE CONFERENCE COMMITTEE REPORT

SB 120

June 19, 1981

Mr. President:
Mr. Speaker:

The Free Conference Committee considering CS FOR SENATE BILL NO. 120 (HESS) (amending the undergraduate and graduate scholarship loan program; eff. date) and HOUSE CS FOR CS FOR SENATE BILL NO. 120(FIN) (efd fld) (relating to undergraduate and graduate scholarship loans) recommends that FREE CONFERENCE CS FOR SENATE BILL NO. 120 (relating to undergraduate and graduate scholarship loans; eff. date) be adopted with a letter of intent.

Senate members signing the report: Senator Sturgulavski, Chairman and Senators Stimson and Parr. House members signing the report: Representative Cuddy, Chairman and Representatives Hurlbert and Buchholdt.

Letter of Intent on Free Conference CS for Senate Bill No. 120 follows:

FCCS SB 120 amends the Student Loan Program by increasing the maximum amount which can be borrowed and the number of years in which the loans may be paid. It increases the incentive for students to remain in the State after graduation (so that the State may profit by its investment) by increasing the loan forgiveness from 40 percent to 50 percent.

It is the intent of the Committee that the loan forgiveness not wait until the end of the repayment cycle, as is currently the practice, since students cannot perceive these benefits during the first several years. For the loan forgiveness to be truly effective, benefits should be realized as they are earned.

It is the intent of the Committee that forgiveness benefits be provided to the borrower in the form of annual refunds as eligibility is established. Under this policy the borrower remaining in the State will get 10 percent loan forgiveness at the end of each incremental period.

The above loan forgiveness policy can be handled by administrative action and no legislation is required.

President Kerttula stated the above Free Conference Committee Report would be held on the Secretary's desk one legislative day.

INTRODUCTION AND REFERENCE OF SENATE R

SJR 53

SENATE JOINT RESOLUTION NO. 53 by Senator Fer

Requesting the National Park Service to improve an old mining road through the north addition to Denali National Park and Preserve and to extend the road to the McKinley Park Road at Wonder Lake-Kantishna.

was read the first time and referred to the Committee.

INTRODUCTION AND REFERENCE OF SENAT

SB 605

SENATE BILL NO. 605 by Senators Kelly and G

"An Act limiting municipal taxes on personal property; and providing for an effective date."

was read the first time and referred to the Regional Affairs Committee and the Finance Co

CONSIDERATION OF THE CALENDAR
HOUSE BILLS IN SECOND READINGHB 131

CS FOR HOUSE BILL NO. 131 (HESS) and S (increased for health facilities and hospitals) which from June 19 with amendment No. 2 moved before the Senate at this time.

Senator Sackett offered the following amendment No. 2:

Amendment No. 2 is on pages 1545 and 1546 of the journal.

First paragraph, delete underlined beginning with "except that money" ending with "health facility"

Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 244 (Finance) amended (redesignating certain loans and by the Alaska Power Authority for power projects for power projects subject to the power projects (effective date) under consideration and replaced with HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 244 (Rules) that it do pass. Concurring: Fuller, Phillips, Smith, O'Connell and Hayes.

was referred to the Rules Committee for calendar.

Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 555 (Resources)(continuing the Guide Licensing and Control Board; under consideration and recommends it do pass. Fuller (Chairman), Phillips, Smith,

referred to the Rules Committee for placement.

REPORTS OF SPECIAL COMMITTEES

(efd failed)

Committee which has had HCS CSSB 120(Fin) (CSB 120(HESS) under consideration, recom-

PRESENCE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 120 relating to undergraduate and scholarship loans; effective

letter of intent.

led by Senators Sturgulevski, Chairman, and Representatives Cuddy, Chairman.

follows:

HCS CSSB 120(Fin)(efd failed) continued

SENATE LETTER OF INTENT

ON

CS FOR SENATE BILL NO. 120

CSB 120 amends the Student Loan Program by increasing the maximum amount which can be borrowed and the number of years in which loans may be paid. It increases the incentive for the student to remain in the State after graduation (so that the State may profit by its investment) by increasing the loan forgiveness from 40 percent to 50 per cent.

It is the intent of the Committee that the loan forgiveness not wait until the end of the repayment cycle, as is currently the practice, since students cannot perceive these benefits during the first several years. For the loan forgiveness to be a truly effective incentive, benefits should be realized as they are earned.

It is the intent of the Committee that forgiveness benefits be provided to the borrower in the form of annual refunds as eligibility is established. Under this policy the borrower remaining in the State will get 10 percent loan forgiveness at the end of each year.

The above loan forgiveness policy can be handled by administrative action, and no legislation is required.

A copy was placed on each member's desk and will be taken up later under Unfinished Business.

CONSIDERATION OF THE DAILY CALENDAR

The Speaker stated that consideration of the daily calendar would be held until after Unfinished Business. Without objection, the House advanced to

District
Director

P.O. Box 101500, Anchorage, Alaska 99510

25

Person to Contact: Robert Jackson

Telephone Number: (907) 261-4303

Refer Reply to: E:TC

Date: January 23, 1990

Kristen B. Bomengen
Assistant Attorney General
State of Alaska, Department of Law
P. O. Box K
Juneau, Alaska 99811

Re: Your letter of January 4, 1990

Dear Mrs. Bomengen:

When the State of Alaska forgives a portion of a student loan, the amount forgiven is a taxable event to the borrower. The debt forgiven is subject to tax in accordance with section 108 of the Internal Revenue Code.

A review of your letter and the copy of the Alaskan Statutes that you sent to me did not change that result. I discussed your letter with our attorneys and they agree with that conclusion.

The Alaskan legislature set up a revolving loan fund, in order to loan money to Alaskans so that they could attend college. The loans are subject to repayment upon termination of studies, over a period of six years. Upon the Alaskan meeting certain conditions, a portion of the loan may be forgiven, if application is made to the State of Alaska by the student. If no application is made, the full loan is subject to repayment.

The statute says that a portion of the loan shall be considered a "grant" based upon residency. This is the amount that is forgiven, but the statute uses the word grant rather than calling it a loan forgiveness.

The question revolves around the difference between a scholarship (or grant) and a loan.

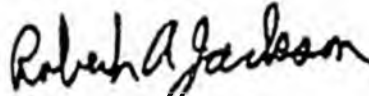
A scholarship or grant is an amount given to a student without any strings attached to it concerning repayment. It is an outright gift to a student. This type of scholarship is covered by I.R.C. section 117. No repayment is involved as no debt was ever created.

Kristen B. Bomengen

The Alaskan program is an outright loan program. Repayment is required. The original intent was to have the money revolve in the fund so that it could be loaned to another student. This money has always been considered a loan subject to repayment based upon the terms of a note signed at the time a loan is granted. The borrower knows that it is subject to repayment, and if not paid, the loan is subject to enforced collection.

As a loan, its' forgiveness is subject to I.R.C. section 108.

Sincerely yours,



Robert A. Jackson
Technical coordinator

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

STEVE COWPER, GOVERNOR

P.O. BOX FP
JUNEAU, ALASKA 99811-0599
PHONE: (907) 465-2854

January 26, 1990

The Honorable Ted Stevens
United States Senate
522 Hart Building
Washington, DC 20510

Dear Senator Stevens:

On behalf of the members of the Alaska Commission on Postsecondary Education, I would like to take this opportunity to thank you for your efforts to address the recent action by the IRS to tax Alaska Student Loan forgiveness recipients. While it is understood that congressional action may take a year or more to resolve this problem, your genuine concern and action to date are appreciated by both loan borrowers and state officials.

As you work with IRS representatives, it is important to alert you to a procedural aspect of forgiveness that may affect the IRS position on taxation. The IRS is currently taxing students for years in which the student has received no monetary benefit from his or her forgiveness eligibility.

For example, a student becomes eligible for the first 10% of his or her loan forgiveness upon residing in the State for two years after graduation. The student applies to our office, we determine the forgiveness eligibility, and notify the student that they are qualified for the first forgiveness. The student's account is adjusted to reflect a reduction in the total loan principal balance owed, but the student's monthly payments remain the same. The student receives no monetary benefit (i.e., reduction in payments) until the scheduled tenth (final) year of the repayment cycle when no payments will be owed. The tenth year of repayment is, therefore, forgiven.

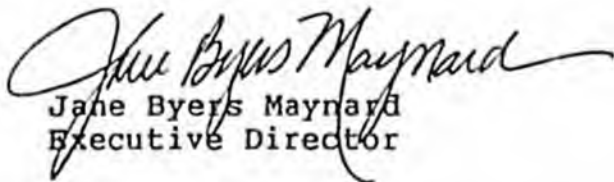
To take this a step further, when the same student has resided in the State an additional year and applies for a second 10% of loan forgiveness, the ninth year of loan repayment is forgiven, and so on up to five years of forgiveness eligibility.

The Honorable Ted Stevens
January 26, 1990
Page 2

Again, the issue here is that the student continues to pay the same amount out-of-pocket whether or not forgiveness has been received. It is only the length of the repayment period that gets progressively shorter with each forgiveness eligibility. The IRS, however, is currently taxing a student at the time of forgiveness eligibility as if the student has already seen a cost savings. This is simply not the case, and it is imperative that the IRS be made aware of this fact.

Thank you again for your assistance in this matter. If I can provide additional information, please contact me.

Sincerely,



Jane Byers Maynard
Executive Director

cc: The Honorable Pat Rodey
Alaska State Senate

The Honorable Loren Leman
Alaska House of Representatives

Frank Baxter, Commissioner
Department of Administration

John Havelock, Chair
Alaska Commission on Postsecondary Education

Kristen Bomengen, Assistant Attorney General
Alaska Department of Law

101ST CONGRESS
1ST SESSION

S. 1803

To amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans.

IN THE SENATE OF THE UNITED STATES

OCTOBER 26 (legislative day, SEPTEMBER 18), 1989

Mr. STEVENS (for himself and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SEC. . TREATMENT OF DISCHARGES OF INDEBTEDNESS
4 UNDER CERTAIN STUDENT LOANS.

5 (1) IN GENERAL.—Paragraph (1) of section 108(f) o.
6 the Internal Revenue Code of 1986 (relating to student
7 loans) is amended—

- 8 (1) by inserting "(A)" after "discharged", and
9 (2) by inserting before the period at the end the
10 following: ", or (B) in the case of a loan made by a

1 State (or from funds provided by a State) which had no
 2 accredited professional schools for the study of law or
 3 medicine on the date the loan was made, if the individ-
 4 ual resided for a certain period of time in the State
 5 after completion of the individual's attendance at the
 6 educational organization with respect to which the loan
 7 was made".

Note:
 Alaska is the
 only state that
 meets this
 criteria
 JSM

8 (b) EFFECTIVE DATE; WAIVER OF STATUTE OF LIMITATIONS.—
 9 TATIONS.—

10 (1) EFFECTIVE DATE.—The amendment made by
 11 subsection (a) shall apply to discharges of indebtedness
 12 made on or after January 1, 1986.

13 (2) WAIVER OF STATUTE OF LIMITATIONS.—In
 14 the case of any taxable year ending before the date of
 15 the enactment of this Act—

16 (A) the period for claiming a credit or refund
 17 of any overpayment of tax resulting from the ap-
 18 plication of the amendment made by subsection (a)
 19 shall not expire before the date which is 1 year
 20 after the date of the enactment of this Act; and

21 (B) if, after the application of subparagraph
 22 (A), credit or refund of any overpayment of tax
 23 resulting from the application of the amendment
 24 made by subsection (a) is prevented at any time
 25 before the close of such 1-year period by the oper-

1 ation of any law or rule of law (including res judi-
2 cata), credit or refund of such overpayment (to the
3 extent attributable to the application of the
4 amendment made by subsection (a)) may, never-
5 theless, be made or allowed if claim therefore is
6 filed before the close of such 1-year period.

○

and research programs. Requires consultation with the Secretary of Health and Human Resources. Provides an epidemiological data repository to be established within DOE; however, in the interim, the Secretary must grant access to qualified independent researchers to epidemiologically relevant raw data.

Directs DOE to establish a comprehensive program of research, development, and demonstration transfer to the private sector of advanced techniques, methods, and technologies for the management of mixed wastes generated at DOE nuclear facilities. The program shall include at least one cost-shared joint venture. Authorizes \$20 million in fiscal year 1991 and \$30 million in fiscal year 1992.

Requires the NRC, in consultation with the EPA, to develop model standards and regulation for the disposal of mixed wastes.

Directs the Secretary to maintain a comprehensive program of radiological activities in the northern Marshall Islands. Authorizes \$6 million in fiscal year 1991 and \$7 million in fiscal year 1992.

Extends existing employee-whistle-blower-protections now afforded employees of NRC licensees or their contractors—under section 210 of the Energy Reorganization Act of 1974—to DOE contractor employees.

Requires within 1-year after enactment, that negotiations be completed on compliance agreements—with EPA and the host State—with respect to all DOE nuclear facilities not in compliance with the substantive and procedural requirements of Federal or State environmental laws.

In my judgment, Mr. President, this measure strengthens our commitment to the principles of excellence, competence and confidence in dealing with the environmental, safety, and health problems at the Department of Energy's nuclear production facilities.

By Mr. STEVENS (for himself and Mr. Murkowski):

S. 1803. A bill to amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans; to the Committee on Finance.

TREATMENT OF DISCHARGES OF INDEBTEDNESS UNDER CERTAIN STUDENT LOANS

Mr. STEVENS. Mr. President, today I am introducing S. 1803, a bill to bring fairness and equity to the tax treatment of Alaska's student loan forgiveness program. The bill is a companion measure to H.R. 3618, introduced yesterday by Representative Don Young of Alaska.

Mr. President, before I explain the need for this bill, I'd like to give Senators some background on this issue. In general, forgiveness of debt in return for an action on the part of the debtor is taxable and must be reported as "other income." This principle applies

generally to forgiveness of student loan debt.

However, section 108(f) of the Internal Revenue Code provides an exemption from taxation for certain student loan forgiveness programs; the exemption applies to student loan programs which condition forgiveness of the loans on the recipient "work[ing] for a certain period of time in certain professions for any of a broad class of employers." This exemption, in effect, permits States to treat as nontaxable grants, loan amounts made to individuals who end up serving in various needed professions in their home States.

However, this exemption does not cover Alaska's forgiveness program for the following reason. One of the unique characteristics of my home State of Alaska is that because of our small population and our location, we have no professional schools in our State to train lawyers and doctors, and we're also limited to a small number of undergraduate institutions. Our student loan forgiveness program was therefore designed to encourage students to return to our State after receiving an education elsewhere. While other States designed their programs to help populate specific professions, Alaska needed to focus on populating the State, itself.

Under Alaska's program, for loans made before July 1, 1987, Alaska will forgive up to 50 percent of the loan amount made to individuals who reside in the State for a specified number of years following their graduation. Essentially, the State chooses to treat the forgiven portion of the loan as a grant.

Consequently, our loan forgiveness provisions—unlike those of other States—are conditioned on residing in the State for specified period of time following graduation. However, because the program is not tied into service in specified professions, Alaska's loan forgiveness program does not technically fall within the section 108(f) exemption.

The bill I am introducing today is intended to bring Alaska's student loan program under the section 108(f) exemption. Specifically, the amendment would exempt from taxation student loan programs which forgive loans "made by a State . . . which had no accredited professional schools for the study of law or medicine on the date the loan was made, if the individual resided for a certain period of time in the State after completion of the individual's attendance at the educational organization with respect to which the loan was made." The amendment would be effective retroactively through calendar year 1986. For those individuals who have already paid tax on loan forgiveness received during those years, the bill clarifies that they may receive refunds.

Mr. President, the need for this legislation arose due to a recent enforcement program initiated by the Inter-

nal Revenue Service. The IRS Office in Anchorage determined recently to initiate an enforcement campaign to collect tax on unreported student loan forgiveness income. Unfortunately, many Alaskans who benefited from the forgiveness program were totally unaware that forgiven amounts are considered to be gross income. This is quite understandable since the instructions accompanying the 1040 form do not mention loan forgiveness as includible in income; and the Alaska agency administering the program was not required to—and did not—inform students of their liability. And most importantly, the forgiven amounts are naturally seen by the public as similar to grants—which are not taxed insofar as they are needed to cover tuition.

Consequently, many students who have come back to Alaska following their education are facing the prospect of having to pay back taxes, plus interest, on 1987 and 1988 loan forgiveness amounts. These are amounts which should not be taxed. Alaska should have the opportunity, along with other States, to treat as grants, those portions of loans which have been forgiven for individuals who bring their educational training back home. Moreover, Alaska should not be precluded from utilizing the existing student loan forgiveness exemption, simply because Alaska chose to condition its forgiveness program on residency, rather than practicing in specified professions.

Bringing Alaska's student loan forgiveness program under the section 108(f) exemption will incur only a very limited revenue loss to the Treasury. I have asked the Joint Committee on Taxation for a revenue estimate. My own staff estimates the loss to be approximately \$1 million a year through fiscal year 1994 declining to zero loss per year by the end of the decade. The loss declines to zero because the only loans eligible for forgiveness were issued prior to July 1, 1987.

I thank Senators for their attention and would welcome their support of this bill.

By Mr. LAUTENBERG (for himself, Mr. WARNER, and Mr. STEVENS):

S. 1804. A bill to amend title 23, United States Code, to reduce the amount of Federal highway funds allocated to any State that does not provide for the revocation or suspension of the driver's license of any individual convicted of a drug offense; to the Committee on Environment and Public Works.

DRUG OFFENDER'S DRIVING PRIVILEGE SUSPENSION ACT

Mr. LAUTENBERG. Mr. President, today, along with Senators WARNER and STEVENS, I am introducing legislation, the Drug Offender's Driving Privilege Suspension Act of 1989, to encourage States to enact legislation

VIEW THE NOTE

E01

From: WCMC002 --JDCVM1
To: ESAC604 --JDCVM1

Date and time 10/30/89 08:38:52

From: Ron Lorensen
Dep. A.G.
Juneau AGO

Subject: Loan Forgiveness
Here's Katz' response.

*** Forwarding note from GASCWDC --JDCVM1 10/30/89 05:53 ***
To: WCMC002 --JDCVM1

FROM: Governor's Office
Washington, D.C.
(202) 624-5858

SUBJECT: Loan Forgiveness

TO: Ron Lorensen

FROM: Eric Ostrovsky DATE: 10/30/89

Both Senator Stevens and Congressman Young have introduced the same bill to allow Alaskan's loan forgiveness without federal tax consequences.

The legislation would be retroactive. Assuming there is no Congressional

~~PF1 Alternate PFs PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note
PF6 Reply PF7 Resend PF8 Print PF9 Help PF10 Next PF11 Previous PF12 Return~~

~~VIEW THE NOTE~~

E01

~~The legislation would be retroactive. Assuming there is no Congressional~~
opposition, it is unclear if there will be an appropriate vehicle to move this legislation through Congress this year. We should have a better assessment of the situation in about two weeks. Eric Ostrovsky is monitoring the issue and will keep you informed. We will be faxing you a copy of the proposed legislation.

E N D O F N O T E

PF1 Alternate PFs PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note
PF6 Reply PF7 Resend PF8 Print PF9 Help PF10 Next PF11 Previous PF12 Return

VIEW THE NOTE

E01

From: WCMC002 --JDCVM1

Date and time

10/27/89 10:41:07

To: GASCWDC --JDCVM1 Gov's Office, Wash

From: Ron Lorensen

Dep. A.G.

Juneau AGO

Subject: for John K or Eric O

Jane Maynard of the Postsecondary Commission just stopped by to talk about the situation with the IRS having determined that amounts "forgiven" on student loans as a result of residing in Alaska after completing schooling are income subject to federal taxation. She says that the Congressional delegation is seeking an amendment to the IRS code which would exempt that forgiveness. What can you tell me about that proposed amendment and its status and chances of success? Thanks.

cc: ESAC604 --JDCVM1

E N D O F N O T E

PF1 Alternate PF3 PF2 File NOTE PF3 Keep PF4 Erase PF5 Forward Note
PF6 Reply PF7 Resend PF8 Print PF9 Help PF10 Next PF11 Previous PF12 Return

method, proper adjustment shall be made in the amount taken into account under clause (ii) of subparagraph (A) for any amount which was not included in the creditor's gross income but which would have been included in such gross income if such indebtedness had been satisfied in full.

(C) Stock of parent corporation.—For purposes of this paragraph, stock of a corporation in control (within the meaning of section 368(c)) of the debtor corporation shall be treated as stock of the debtor corporation.

(D) Treatment of successor corporation.—For purposes of this paragraph, the term "debtor corporation" includes a successor corporation.

(E) Partnership rule.—Under regulations prescribed by the Secretary, rules similar to the rules of the foregoing subparagraphs of this paragraph shall apply with respect to the indebtedness of a partnership.

(8) Stock for debt exception not to apply in de minimis cases.—For purposes of determining income of the debtor from discharge of indebtedness, the stock for debt exception shall not apply—

(A) to the issuance of nominal or token shares, or

(B) with respect to an unsecured creditor, where the ratio of the value of the stock received by such unsecured creditor to the amount of his indebtedness cancelled or exchanged for stock in the workout is less than 50 percent of a similar ratio computed for all unsecured creditors participating in the workout.

(9) Discharge of indebtedness income not taken into account in determining whether entity meets REIT qualifications.—Any amount included in gross income by reason of the discharge of indebtedness shall not be taken into account for purposes of paragraphs (2) and (3) of section 856(c)

(10) Indebtedness satisfied by corporation's stock.—

(A) In general.—For purposes of determining income of a debtor from discharge of indebtedness, if a debtor corporation transfers stock to a creditor in satisfaction of its indebtedness, such corporation shall be treated as having satisfied the indebtedness with an amount of money equal to the fair market value of the stock.

(B) Exception for title 11 cases and insolvent debtors.—Subparagraph (A) shall not apply in the case of a debtor in a title 11 case or to the extent the debtor is insolvent.

(f) Student loans.—

(1) In general.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or in part) of any student loan if such discharge was pursuant to a provision of such loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers.

(2) Student loan.—For purposes of this subsection, the term "student loan" means any loan to an individual to assist the individual in attending an educational organization described in section 170(b)(1)(A)(ii) made by—

(A) the United States, or an instrumentality or agency thereof.

(B) a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or

(C) a public benefit corporation—

(i) which is exempt from taxation under section 501(c)(3),

(ii) which has assumed control over a State, county, or municipal hospital, and

(iii) whose employees have been deemed to be public employees under State law, or

(D) any educational organization so described pursuant to an agreement with any entity described in subparagraph (A), (B), or (C) under which the funds from which the loan was made were provided to such educational organization.

(g) Special
(1) Dis
(A
the c
(B
"qua
46(c)
local
(2) Qu
of a tax
(A
tion
(B
for U
such
(3) Am
investme
(A
tion

t
y
(B)
term
scribe
mised
subpa
(C)
ified
trade
(D)
parag
the ac
subse
subse

(Aug. 16, 1954, c
86-496, § 11a,
1951(b)(2)(A) 99
1982, Pub.L. 97-4
III, § 304(d), 96-1
§ 474(a)(5), Title
Pub.L. 99-514, T
Title VIII, § 802
Stat. 2105, 2178,
11004(a)(1)-(4) 9

HISTORICAL

Effective Date
1985 Act, As
100-647 effective
of Pub.L. 99-514
relate, except that
made under section
any period before
the case of a trust
this title) and rep
extent such under

108
⇒

business indebtedness"; thus, bank was entitled to have tax basis of its property reduced. Centennial

Sav. Bank FSB v. U.S., N.D.Tex.1988, 682 F.Supp. 1389.

887; Oct. 22, 1986, P. 2112, 2508, 2460; Pub. 102 Stat. 3488, 3643.)

117 →
§ 117. Qualified Scholarships

(a) General rule.—Gross income does not include any amount received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii).

(b) Qualified scholarship.—For purposes of this section—

(1) In general.—The term "qualified scholarship" means any amount received by an individual as a scholarship or fellowship grant to the extent the individual establishes that, in accordance with the conditions of the grant, such amount was used for qualified tuition and related expenses.

(2) Qualified tuition and related expenses.—For purposes of paragraph (1), the term "qualified tuition and related expenses" means—

(A) tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii), and

(B) fees, books, supplies, and equipment required for courses of instruction at such an educational organization.

(c) Limitation.—Subsections (a) and (d) shall not apply to that portion of any amount received which represents payment for teaching, research, or other services by the student required as a condition for receiving the qualified scholarship or qualified tuition reduction.

(d) Qualified tuition reduction.—

(1) In general.—Gross income shall not include any qualified tuition reduction.

(2) Qualified tuition reduction.—For purposes of this subsection, the term "qualified tuition reduction" means the amount of any reduction in tuition provided to an employee of an organization described in section 170(b)(1)(A)(ii) for the education (below the graduate level) at such organization (or another organization described in section 170(b)(1)(A)(ii)) of—

(A) such employee, or

(B) any person treated as an employee (or whose use is treated as an employee use) under the rules of section 132(f).

(3) Reduction must not discriminate in favor of highly compensated, etc.—Paragraph (1) shall apply with respect to any qualified tuition reduction provided with respect to any highly compensated employee only if such reduction is available on substantially the same terms to each member of a group of employees which is defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees (within the meaning of section 414(q)). For purposes of this paragraph, the term "highly compensated employee" has the meaning given such term by section 414(q).

(4) Exclusion of certain employees.—For purposes of this subsection, there shall be excluded from consideration employees who are excluded from consideration under section 89(h).

(5) Special rules for teaching and research assistants.—In the case of the education of an individual who is a graduate student at an educational organization described in section 170(b)(1)(A)(ii) and who is engaged in teaching or research activities for such organization, paragraph (2) shall be applied as if it did not contain the phrase "(below the graduate level)".

(Aug. 16, 1954, c. 736, 68A Stat. 38; Sept. 21, 1961, Pub. L. 87-256, § 110(a), 75 Stat. 335; Oct. 4, 1976, Pub. L. 94-455, Title XIX, § 1901(b)(9)(A), (c)(3), 90 Stat. 1794, 1803; Dec. 17, 1980, Pub. L. 96-541, § 5(a)(1), 94 Stat. 3306; July 19, 1984, Pub. L. 98-369, Div. A, Title V, § 532(a), 98 Stat.

HISTORICAL AND

Amendments

1986 Amendment.
99-514, § 1131(d)(2).

Effective Dates

1988 Act. Amer. 1011B(a)(3)(B)(i) of if included in the pro which such amendm addition to tax shall or 6655 of this title for 1989 (Mar. 16, 1989 subject to section 665. any underpayment to ment was created or Titles I or II of Pub of Pub. L. 100-647, s. 1 of this title.

§ 118. Contrib

HISTORICAL A

Effective Dates

1986 Act. Sectio amended Pub. L. 1 Nov. 10, 1986, 10

"(1) In general.— in this subsection, section [amending this title] shall ap December 31, 198 such date.

"(2) Treatment projects.—The ac shall not apply to New Jersey Depar tion for construct projects in zones and which are de being taken into Not more than \$ be designated un-

"(3) Treatmen transportation as by this section al aid of construct authority which plan is existen which are desig taken into acco more than \$48, be designated u

§ 119. Mea

(a) Meals pursuant to

(Article Effective July 1, 1972)

Article 9. Scholarship Loans.

Section	Section
751. Loan fund created	765. Eligibility of students
753. Selection committee	767. Selection criteria
755. Applications	769. Discrimination prohibited
757. Administration of program	771. Enforceability of certain contracts with minors
759. Undergraduate loans	773. Definitions
761. Graduate loans	
763. Conditions of loans	

Former article repealed effective July 1, 1972. — Section 2, ch. 98, SLA 1971, effective July 1, 1972, repealed former Article 9, entitled "Scholarship Grants and Loans." The former article consisted of §

14.40.750 — 14.40.849, a. d derived from ch. 112, SLA 1968, and ch. 230, SLA 1970. Former AS 14.40.830 had been previously repealed by § 14, ch. 230, SLA 1970.

Sec. 14.40.751. Loan fund created. There is created a scholarship revolving loan fund as an account in the general fund. The fund shall be used to make scholarship loans to students selected under §§ 751 — 773 of this chapter. (§ 1 ch 98 SLA 1971)

Editor's note. — Section 3, ch. 98, SLA 1971, effective July 1, 1972, provides: "Sec. 1 of this Act takes effect on July 1, 1971, or on the date the Alaska Higher Education Commission is enjoined from making payments under the provisions of AS 14.40.900, whichever date is earlier."

Legislative committee report. — For report on ch. 98, SLA 1971 (CSHB 415 [Finance] am S), see 1971 House Journal, p. 935.

Sec. 14.40.753. Selection committee. (a) There is created the student loan selection committee composed of seven members appointed by the governor. The committee is composed of the commissioner of education and at least one undergraduate student, one person employed as a high school counselor, one person from a minority group and one person representing the field of vocational-technical training. No member may be the president of a senior administrative officer of a college or university. Members serve at the pleasure of the governor. The committee shall elect its chairman. The commissioner of education shall act as executive secretary of the committee. The Department of Education is charged with administering the program established by this chapter.

(b) Members of the selection committee serve without compensation but are entitled to per diem and travel expenses authorized by law for boards and commissions.

(c) The selection committee shall make an annual report to the governor and legislature reviewing the work of the committee.

(d) The selection committee shall meet at least once a year. The meetings shall be held at the call of the chairman or upon petition by two members. (§ 1 ch 98 SLA 1971)

(Article Effective July 1, 1972)

Sec. 14.40.755. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose application is not recommended or presented to the committee by the executive secretary may appeal to the selection committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971)

Sec. 14.40.757. Administration of program. The executive secretary shall administer the program subject to review by the committee and such regulations as the committee may prescribe. (§ 1 ch 98 SLA 1971)

Sec. 14.40.759. Undergraduate loans. The selection committee may make a loan, not to exceed \$2,500 in any one school year, to an undergraduate student eligible under § 765 of this chapter. (§ 1 ch 98 SLA 1971)

Sec. 14.40.761. Graduate loans. The selection committee may make a loan, not to exceed \$5,000 in any one school year, to a graduate student who is eligible under § 765 of this chapter and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971)

Sec. 14.40.763. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program approved by the Department of Education or a college or university accredited by the accreditation association for the region in which the college or university is located.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section.

(d) Scholarship loans may not be made to a student for more than six years.

(e) Loans are noninterest bearing while a student is enrolled under (c) of this section or is fulfilling required military service.

(f) Interest on a loan given under §§ 751 — 773 of this chapter is at the rate of five per cent.

(g) Repayment of a loan shall commence within one year after a student terminates his studies or required military service, and shall be fully repaid within a period of six years; in cases of hardship, the committee may extend repayment of a loan for an additional five years.

(h) Security may not be required for the loans; however, provision shall be made for payment of attorney fees and costs of court if either or both are incurred in collection of the amount owed on the loan.

(i) If a loan is in default, the Department of Education may notify the student that repayment of the remaining balance is accelerated and

(Article Effective July 1, 1972)

due by sending the student a notice by registered or certified mail.

(j) A portion of a loan shall be considered a grant if, upon completion of the course of study for which the loan was granted, the grantee spends at least two years employed in the state. The portion of the loan which shall be regarded as a grant shall be the following percentages of the total loan received plus accrued interest:

- | | |
|----------------------------------|-------------|
| (1) two — three years residency | 10 per cent |
| (2) three — four years residency | 20 per cent |
| (3) four — five years residency | 30 per cent |
| (4) over five years residency | 40 per cent |

(§ 1 ch 98 SLA 1971)

Revisor's note (1971). — In ch. 98, SLA 1971, AS 14.40.763 (j) (2) read "four—five years" This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 415 [Finance am S]) and has been corrected here.

Sec. 14.40.765. Eligibility of students. A student may apply for a scholarship loan if

- (1) he is a resident of Alaska, and if
- (2) he is either
 - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
 - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university. (§ 1 ch 98 SLA 1971)

Sec. 14.40.767. Selection criteria. In selecting from among the eligible students those students who will be awarded loans the selection committee shall take into consideration the following items:

- (1) the student's financial needs;
- (2) entering freshmen who are graduates of Alaska high schools or who are graduates of a high school outside the state if their Alaskan residency has been continuous;
- (3) personal recommendations from the student's instructors, employers, and others familiar with his abilities;
- (4) the student's record of achievement. (§ 1 ch 98 SLA 1971)

Sec. 14.40.769. Discrimination prohibited. The student loan program shall be carried out without regard to the race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations of the student applying for the loan. (§ 1 ch 98 SLA 1971)

Sec. 14.40.771. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by him from any person for the purpose of furthering his education in a career education program or an institution of higher learning, is enforceable against the

minor with the same effect as if he were, at the time of its execution, 19 years of age, if the person making the loan has in his records before making the loan a certification from the institution that the minor is enrolled in the institution or has been accepted for enrollment. (§ 1 ch 98 SLA 1971)

Sec. 14.40.773. Definitions. In §§ 751 — 773 of this chapter

- (1) "school year" means the period from September 1 of one year through August 31 of the following year;
- (2) "career education" means a course or program in vocational-technical training or education approved by the Department of Education;
- (3) "full-time student" means a student who is enrolled and is in regular attendance at classes for at least 12 semester hours of credit during the semester;
- (4) "loan" means a student loan granted under §§ 751 — 773 of this chapter;
- (5) "resident" means a person domiciled in Alaska who has resided in Alaska for at least two years before making an application for a student loan. (§ 1 ch 98 SLA 1971)

Article 10. Michael Murphy Scholarship Loan and Grant Fund.

Section	Section
850. Declaration of purpose	875. Selection criteria
855. Fund created	880. Discrimination prohibited
860. Limits on loans and grants	885. Administering authority
865. Conditions of loans and grants	890. Funding
870. Repayment of loans	

Sec. 14.40.850. Declaration of purpose. The purpose of the Michael Murphy Scholarship Loan and Grant Fund is to perpetuate the memory of Michael Murphy, a member of the Alaska State Troopers, who, while on leave from that division, gave his life for his adopted country in Vietnam on May 22, 1968. (§ 1 ch 33 SLA 1969)

Revisor's note (1969). — As 14.40.850 — 14.40.890 were AS 14.40.850 — 14.40.890 in ch. 33 SLA 1969

Sec. 14.40.855. Fund created. There is created a scholarship loan and grant fund as an account in the general fund of the treasury of the state. The fund shall be used to provide educational scholarship loans and grants to persons selected under §§ 850 — 890 of this chapter. (§ 1 ch 33 SLA 1969)

Sec. 14.40.860. Limits on loans and grants. (a) A scholarship loan or grant to a recipient may not exceed \$1,500 a school year.

(b) The total amount of loans or grants to a recipient may not exceed \$3,000. (§ 1 ch 33 SLA 1969)

Sec. 14.40.865. Conditions of loans and grants. (a) A loan or grant may only be used to attend a college or university in Alaska.

Sec. 14.40.759. Undergraduate loans. The committee may make a loan, not to exceed \$2,500 in any one school year, to an undergraduate student eligible under § 765 of this chapter. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974)

Effect of amendment. — The 1974 "committee" near the beginning of the amendment deleted "selection" preceding section.

Sec. 14.40.761. Graduate loans. The committee may make a loan, not to exceed \$5,000 in any one school year, to a graduate student who is eligible under § 765 of this chapter and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974)

Effect of amendment. — The 1974 "committee" near the beginning of the amendment deleted "selection" preceding section.

Sec. 14.40.763. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program approved by the Department of Education or a college or university accredited by the accreditation association for the region in which the college or university is located.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section.

(d) Scholarship loans may not be made to a student for more than six years.

(e) Loans are noninterest bearing while a student is enrolled under (c) of this section or is fulfilling required military service.

(f) Interest on a loan given under § 751 — 806 of this chapter is at the rate of five per cent a year.

(g) Repayment of a loan shall commence within one year after a student terminates his studies or required military service, and shall be fully repaid within a period of six years; in cases of hardship, the committee may extend repayment of a loan for an additional five years.

(h) Security may not be required for the loans; however, provision shall be made for payment of attorney fees and costs of court if either or both are incurred in collection of the amount owed on the loan.

(i) If a loan is in default, the commission may notify the student that repayment of the remaining balance is accelerated and due by sending the student a notice by registered or certified mail.

(j) A portion of a loan shall be considered a grant if, upon completion of the course of study for which the loan was granted, the grantee spends at least two years employed in the state. The portion of the loan

which shall be regarded as a grant shall be the following percentages of the total loan received plus accrued interest:

- (1) two — three years residency 10 per cent
- (2) three — four years residency 20 per cent
- (3) four — five years residency 30 per cent
- (4) over five years residency 40 per cent

(§ 1 ch 98 SLA 1971; am § 4 ch 136 SLA 1972, am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974)

Revisor's note (1971) — In ch. 98, SLA 1971, AS 14.40.763 (2) read "four — five years . . ." This was a typographical error occurring for the first time in the enrolled version of the bill (CSHB 418 [Finance am S1]) and has been corrected here. amendment substituted "806" for "773" in subsection (f). The first 1974 amendment substituted "commission" for "Department of Education" in subsection (a). The second 1974 amendment added "a year" to the end of subsection (f). Effect of amendments. — The 1972

Sec. 14.40.765. Eligibility of students. A student may apply for a scholarship loan if

- (1) he is a resident of Alaska, and if
- (2) he is either
 - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
 - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university. (§ 1 ch 98 SLA 1971)

Sec. 14.40.767. Selection criteria. In selecting from among the eligible students those students who will be awarded loans the selection committee shall take into consideration the following items:

- (1) the student's financial needs;
- (2) entering freshmen who are graduates of Alaska high schools or who are graduates of a high school outside the state if their Alaskan residency has been continuous;
- (3) personal recommendations from the student's instructors, employers, and others familiar with his abilities;
- (4) the student's record of achievement. (§ 1 ch 98 SLA 1971)

Sec. 14.40.769. Discrimination prohibited. The student loan program shall be carried out without regard to the race, creed, sex, color, ancestry, national origin, or membership in fraternal or political organizations of the student applying for the loan. (§ 1 ch 98 SLA 1971)

Sec. 14.40.771. Enforceability of certain contracts with minors. A written obligation entered into by a minor at least 16 years of age, evidencing a loan or other assistance received by him from any person for the purpose of furthering his education in a career education program or an institution of higher learning, is enforceable against the

- (1) two — three years residence in the state, 10 percent;
- (2) three — four years residence in the state, an additional 10 percent;
- (3) four — five years residence in the state, an additional 10 percent;
- (4) five — six years residence in the state, an additional 10 percent;
- (5) over six years residence in the state, an additional 10 percent.
- (k) Periodic installments of principal shall be deferred, but interest shall accrue and be paid unless the student is eligible for interest payment benefits under (1) of this section during any of the following:
 - (1) return to student status as provided in (c) of this section;
 - (2) serving on active duty as a member of the armed forces of the United States;
 - (3) serving, for up to three years, as a full-time volunteer under the Peace Corps Act;
 - (4) serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;
 - (5) for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or
 - (6) if the borrower becomes 50 percent or more disabled as certified by competent medical authority.
- (l) The state will pay the interest on that portion of a loan that is not federally insured during
 - (1) the period before the beginning of the repayment period of the loan; and
 - (2) deferrals under (k) of this section.
- (m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 months each.
- (n) Repealed by § 11 ch 89 SLA 1981.
- (o) The provisions of (j) of this section do not apply to a loan to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure payment of the unpaid balance of a loan made under AS 14.43.110 or 14.43.115.
- (p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service. (1 ch 98 SLA 1971; am § 4 ch 156 SLA 1972; am § 6 ch 78 SLA 1974; am § 8 ch 136 SLA 1974; am §§ 1—4 ch 99 SLA 1977; am §§ 3 — 8 ch 87 SLA 1979; am §§ 3 — 9, 11 ch 89 SLA 1981; AS 14.40.763)

Revisor's notes. — In ch 98 SLA 1971, AS 14.43.125(j)2, read "five — five years". This was a typographical error occurring for the first time in the enrolled version of the bill (CS318 413) Finance am 51 and has been corrected here.

Effect of amendments. — The 1979 amendment deleted "approved by the commission" following "career education program" and substituted the language

beginning "approved by the commission" for "accredited by the accreditation association for the region in which the college or university is located" in subsection (b), substituted "interest" for "non interest" in subsection (e), added the language beginning "however, a student shall be entitled" to the end of subsection (e), rewrote subsection (g) and in subsection (j), substituted "paid on behalf of the borrower by the state" for "considered a grant," "borrower" for "grantee," and "three years" for "two years" in the first sentence, substituted "paid by the state" for "regarded as a grant" and "interest for up to a total of 40 percent" for "accrued interest" in the introductory language of the second sentence, and substituted "an additional 10 percent" for "20 percent" in paragraph (2), for "30 percent" in paragraph (3), and for "40 percent" in paragraph (4). The amendment also rewrote subsection (k) and added subsections (l), (m), and (n).

The 1981 amendment added the second sentence of subsection (e). In subsection (d), the amendment added paragraphs (1) and (2) and in paragraph (3), substituted "a total of eight" for "six" preceding "years" and added "of undergraduate and graduate study" following "years" in subsection (l), the amendment substituted "shall" for "may" and "borrower" for "student." In subsection (m), the amendment substituted "12" for "six" preceding "months" and deleted "within the 15-year requirement of (g) of this section" following "months each." The amendment also rewrote subsections (g) and (j), added subsections (a) and (p) and repealed subsection (b) which read "Each year spent

attending a college or university in Alaska qualifies as a year of employment and residency under (j) of this section, if the borrower resides no less than three years in Alaska after completion of the course for which the loan was granted, and has a total Alaskan residency of ten years time."

Editor's notes. — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.5031(c) and 4.4, Chapter 58, SLA 1982.

Section 8, ch 99, SLA 1977 provided: "The change in the repayment period of student loans set out in AS 14.40.763(g) [now 14.43.125(g)] as amended by sec. 3 of this Act and the additional basis for granting a deferment of repayment of a student loan set out in AS 14.40.763(h) [now 14.43.125(h)] as enacted by sec. 4 of this Act shall, upon request of the loan recipient, be applied retroactively to the outstanding balance of principal of and accrued interest on loans made under AS 14.40.731 — 14.40.806 [now 14.43.090 — 14.43.160] as they read before the effective date of this Act."

Section 12 of ch 89, SLA 1981, provided: "The reenactment of AS 14.40.763(j) [now 14.43.125(j)] in sec. 7 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.731 — 14.40.806 [now 14.43.090 — 14.43.160] since July 1, 1971."

Legislative history reports. — For a report of legislative intent concerning the loan forgiveness provisions of ch. 89, SLA 1981 (FCSSB 120), see 1981 Senate Journal p. 1560, 1580, 1981 House Journal p. 2259.

- Sec. 14.43.125. Eligibility of students.** (a) A person may apply for and obtain a scholarship loan if the person
- (1) is a resident of the state at the time of application for a scholarship loan;
 - (2) meets the requirements of (b) of this section; and
 - (3) is
 - (A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or
 - (B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university.
 - (b) In addition to the requirements of (a) of this section, to obtain a scholarship loan a person must have been a resident of the state for at least two years at the time of application for the loan. For purposes of

Revisor's notes. — The amendments of AS 14.43.095(a) by § 3, ch. 78, SLA 1974 and § 3, ch. 136, SLA 1974, are in conflict, the first act rewriting the subsection to provide that the Alaska Commission on Postsecondary Education will act as the financial aid committee, the second act changing the name and term of members of the existing financial aid selection committee. It is considered, on the basis of the legislative history, apparent legislative intent, and later effective date of the first

act, that the re-enactment by ch. 78, SLA 1974 should prevail.

The last part of subsection (c) of this section is obsolete since the tuition grant program was repealed by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

In subsection (a), AS 14.43.090 — 14.43.160 was substituted for a reference to AS 14.40.731 — 14.40.806 to conform to the renumbering of those sections by the revisor of statutes under AS 01.05.031.

Sec. 14.43.100. Applications. (a) Applications shall be submitted to the executive secretary of the committee.

(b) A person whose loan or grant application is not recommended or presented to the committee by the executive secretary may appeal to the committee through the chairman of the committee and the committee shall consider the application. (§ 1 ch 98 SLA 1971; am § 3 ch 156 SLA 1972; am § 4 ch 136 SLA 1974; AS 14.40.755)

Revisor's notes. — The reference to "grant application" in subsection (b) of this section is obsolete in light of the repeal of the tuition grant program by Chapter 94, SLA 1980 and Chapter 59, SLA 1982.

Sec. 14.43.105. Administration of program. The executive secretary shall administer the programs subject to review by the committee and in accordance with the regulations prescribed by the committee. The promulgation of these regulations is subject to the Administrative Procedure Act (AS 44.62), and a summary of the regulations shall be distributed to each applicant. (§ 1 ch 98 SLA 1971; am § 5 ch 136 SLA 1974; AS 14.40.757)

Sec. 14.43.110. Undergraduate loans. The committee may make a loan, not to exceed \$6,000 in any one school year, to an undergraduate student eligible under AS 14.43.125. (§ 1 ch 98 SLA 1971; am § 6 ch 136 SLA 1974; am § 1 ch 153 SLA 1978; am § 1 ch 89 SLA 1981; AS 14.40.759)

Revisor's notes. — AS 14.43.125 was substituted for AS 14.40.765 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. The 1981 amendment substituted "\$6,000" for "\$3,000" following "not to exceed." Effect of amendments. — The 1978 amendment increased the maximum amount of the loan from \$2,500.00 to \$3,000.00.

Sec. 14.43.115. Graduate loans. The committee may make a loan, not to exceed \$7,000 in any one school year, to a graduate student who is eligible under AS 14.43.125 and is pursuing an advanced degree. (§ 1 ch 98 SLA 1971; am § 7 ch 136 SLA 1974; am § 2 ch 89 SLA 1981; AS 14.40.761)

Revisor's notes. — AS 14.43.120 was substituted for AS 14.40.763 to conform to the renumbering of that section by the revisor of statutes under AS 01.05.031. List of amendments. — The 1981 amendment substituted "\$7,000" for "\$3,000" following "not to exceed."

Sec. 14.43.120. Conditions of loans. (a) Proceeds from scholarship loans may only be used for books, tuition and required fees, and for room and board.

(b) The loans may only be used to attend a career education program or a college or university approved by the commission, and, if the loans are federally insured, by the United States Commissioner of Education.

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section. The commission shall adopt regulations defining "good standing" for purposes of this subsection.

(d) Scholarship loans may not be made to a student

(1) for more than five years of undergraduate study;

(2) for more than five years of graduate study;

(3) for more than a total of eight years of undergraduate and graduate study.

(e) Loans are interest bearing while a student is enrolled under (c) of this section or is receiving a deferment of payments under (k) of this section; however, a student is entitled to have a portion of the interest paid in accordance with (l) of this section.

(f) Interest on a loan given under AS 14.43.090 — 14.43.160 is at the rate of five per cent a year.

(g) Repayment of the principal and interest on the loan begins no later than one year after the borrower's studies are terminated. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

(h) Security may not be required for the loans; however, provision shall be made for payment of attorney fees and costs of court if either or both are incurred in collection of the amount owed on the loan.

(i) If a loan is in default, the commission shall notify the borrower that repayment of the remaining balance is accelerated and due by sending the borrower a notice by registered or certified mail.

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 50 percent of the total loan:



LAWS OF ALASKA

1981

Source

FCCSSB 120

Chapter No.

39

AN ACT

Relating to undergraduate and graduate scholarship loans; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Permitted to become law without signature
Actual Effective Date: July 19, 1981

AN ACT

Relating to undergraduate and graduate scholarship loans;
and providing for an effective date.

- Section 1. AS 14.40.759 is amended to read:

Sec. 14.40.759. UNDERGRADUATE LOANS. The committee may make a loan, not to exceed \$6,000 [\$3,000] in any one school year, to an undergraduate student eligible under AS 14.40.765.

- Sec. 2. AS 14.40.761 is amended to read:

Sec. 14.40.761. GRADUATE LOANS. The committee may make a loan, not to exceed \$7,000 [\$5,000] in any one school year, to a graduate student who is eligible under AS 14.40.765 and is pursuing an advanced degree.

- Sec. 3. AS 14.40.763(c) is amended to read:

(c) To maintain a loan the student must continue to be enrolled as a full-time student in good standing in a career education program, college or university designated under (b) of this section. The commission shall adopt regulations defining "good standing" for purposes of this subsection.

- Sec. 4. AS 14.40.763(d) is amended to read:

(d) Scholarship loans may not be made to a student

- (1) for more than five years of undergraduate study;
- (2) for more than five years of graduate study;
- (3) for more than a total of eight (80%) years of undergraduate and graduate study.

Chapter 89

* Sec. 5. AS 14.40.763(g) is repealed and reenacted to read:

(g) Repayment of the principal and interest on the loan begins later than one year after the borrower terminates his studies. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment, except as provided in (k) and (m) of this section. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection.

* Sec. 6. AS 14.40.763(i) is amended to read:

(i) If a loan is in default, the commission shall [MAY] notify the borrower [STUDENT] that repayment of the remaining balance is accelerated and due by sending the borrower [STUDENT] a notice by registered or certified mail.

* Sec. 7. AS 14.40.763(j) is repealed and reenacted to read:

(j) A portion of a loan shall be paid on behalf of the borrower by the state if, upon completion of the course of study for which the loan was granted, the borrower is a resident of the state for at least two years. The portion of the loan that shall be paid by the state is the following percentages of the total loan received plus interest up to a total of 50 percent of the total loan:

- (1) two - three years residence in the state, 10 percent;
- (2) three - four years residence in the state, an additional 10 percent;
- (3) four - five years residence in the state, an additional 10 percent;
- (4) five - six years residence in the state, an additional 10 percent;
- (5) over six years residence in the state, an additional 10

percent.

* Sec. 8. AS 14.40.763
(m) In case of loan for an addition longer than 12 [SIX] (g) OF THIS SECTION].

* Sec. 9. AS 14.40.763

(o) The provision to a borrower named state or by the commission loan made under AS 14

(p) For purpose if the person is physically remain permanently in state, the person in military service.

* Sec. 10. AS 14.40.763
Sec. 14.40.765.

for and obtain a scholarship loan;

(1) is a

(2) meets

(3) is

(A) e

tion or associat

(B) a

graduation from

credits to be a

accredited colle

percent.

• Sec. 8. AS 14.40.763(m) is amended to read:

(m) In case of hardship, the committee may extend repayment of a loan for an additional period of up to five years in increments no longer than 12 [SIX] months each [, WITHIN THE [5-YEAR REQUIREMENT OF (g) OF THIS SECTION].

• Sec. 9. AS 14.40.763 is amended by adding new subsections to read:

(o) The provisions of (j) of this section do not apply to a loan to a borrower named in a complaint as a defendant in an action by the state or by the commission to secure payment of the unpaid balance of a loan made under AS 14.40.759 or 14.40.761.

(p) For purposes of this section, a person qualifies as a resident if the person is physically present in the state with the intent to remain permanently in the state or, if not physically present in the state, the person intends to return to the state and is absent due to military service.

• Sec. 10. AS 14.40.765 is repealed and reenacted to read:

Sec. 14.40.765. ELIGIBILITY OF STUDENTS. (a) A person may apply for and obtain a scholarship loan if the person

(1) is a resident of the state at the time he applies for a scholarship loan;

(2) meets the requirements of (b) of this section; and

(3) is

(A) enrolled as a full-time student in a career education or associate or baccalaureate or graduate degree program; or

(B) a graduate of a high school, or scheduled for graduation from a high school within six months, with sufficient credits to be admitted to a career education program or to an accredited college or university.

Chapter 89

(b) In addition to the requirements of (a) of this section, to obtain a scholarship loan a person must have been a resident of the state for at least two years at the time he applies for the loan. For purposes of this subsection, a person qualifies as a resident of the state if at the time he applies for the loan the person

(1) has been present in the state for at least two years, unless his absence from the state during any part of the two years was due to military service; or

(2) is a person who is dependent on a parent or guardian for his care, and the parent or guardian has been present in the state for at least two years.

* Sec. 11. AS 14.40.763(n) and 14.40.806(4) are repealed.

* Sec. 12. The reenactment of AS 14.40.763(j) in sec. 7 of this Act applies to any student who has obtained a scholarship loan under AS 14.40.751 - 14.40.806 since July 1, 1971.

* Sec. 13. This Act takes effect July 1, 1981.



LAW

Source

FCCSSB 26

Making appropriations to related programs and portions for a power proje

BE IT ENACTED BY THE LEGISLATURE

THE ACT FOR

Approved with Item Veto
Actual Effective Date:



LAWS OF ALASKA

1984

Source

HCS CSSR 117(Jud)

Chapter No.

6

AN ACT

Making corrective amendments to the Alaska Statutes as recommended by the revisor of statutes; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor February 13, 1984
Actual Effective Date February 14, 1984

6-1749H
Ford
3/2/90

Original sponsor(s): REP. KOPONEN, Ellis, Jacko, Gruenberg, Larson,
Grussendorf, Ulmer, Wallis, Hanley, Hudson, Leman

1 IN THE HOUSE

BY THE HESS COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 65 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Relating to taxation of certain student
6 loans.

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

8 WHEREAS the original intent of the forgiveness provision in the state
9 student loan program was to provide a nontaxable grant to the student;

10 WHEREAS many student loans made before July 1, 1987, are eligible for
11 up to 50 percent forgiveness under the state student loan program; and

12 WHEREAS the Internal Revenue Service is currently treating Alaska
13 student loans that are discharged through the forgiveness provision as
14 taxable income; and

15 WHEREAS state residents who benefited from the student loan program
16 were unaware of their tax liability and assumed that a forgiven student
17 loan was not subject to taxation under federal law; and

18 WHEREAS many students who have completed their education are now
19 facing the prospect of paying back taxes plus interest on amounts forgiven
20 in 1987 and 1988 on student loans; and

21 WHEREAS the Internal Revenue Service is currently interpreting the
22 Internal Revenue Code as imposing tax liability in a year in which the
23 student actually receives no cost saving from loan payments because of the
24 student's eligibility for forgiveness; and

25 WHEREAS the Congress is considering S. 1803 and H.R. 3518, both of
26 which would change the taxable status of student loans and allow loans that
27 are forgiven by this state to be excludable from gross income for purposes
28 of federal income taxation;

29 BE IT RESOLVED that the Alaska State Legislature urges the Congress to

1 consider and pass either S. 1803 or H.R. 3518, thereby allowing that por-
2 tion of a student loan made by this state that qualifies for forgiveness to
3 be excludable from gross income for purposes of federal income taxation.

4 COPIES of this resolution shall be sent to the Honorable George Bush,
5 President of the United States; the Honorable Dan Quayle, Vice-President of
6 the United States and President of the U.S. Senate; the Honorable Thomas S.
7 Foley, Speaker of the U.S. House of Representatives; to the Honorable Ted
8 Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable
9 Don Young, U.S. Representative, members of the Alaska delegation in Con-
10 gress; to the Honorable Fred T. Goldberg, Jr., Commissioner of the Internal
11 Revenue Service; and to the Honorable William G. Demmert, Commissioner of
12 the Alaska Department of Education.