

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 219 Session of 2023

INTRODUCED BY ISAACSON, BURGOS, CIRESI, DELLOSO, FLEMING, GUENST, HANBIDGE, HILL-EVANS, KHAN, KINSEY, MADDEN, SANCHEZ AND SAMUELSON, MARCH 8, 2023

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, DECEMBER 13, 2023

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," in personal income tax, providing for income tax <--
11 credit for interest paid on student loans FURTHER PROVIDING <--
12 FOR DEFINITIONS AND FOR CLASSES OF INCOME.

13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as <--
16 the Tax Reform Code of 1971, is amended by adding a section to
17 read:

18 Section 314.1. Income Tax Credit for Interest Paid on
19 Student Loans. (a) A resident taxpayer before allowance of any
20 credit under section 312 shall be allowed a credit for student
21 loan interest against the tax otherwise due under this article
22 for the amount of any income tax, wage tax or tax on or measured

1 ~~by gross or net earned or unearned income.~~

2 ~~(b) To qualify for the credit, a resident taxpayer's~~
3 ~~modified adjusted gross income must be less than seventy five~~
4 ~~thousand dollars (\$75,000) or less than one hundred fifty five~~
5 ~~thousand dollars (\$155,000) if filing a joint return. The credit~~
6 ~~can reduce the amount of income subject to tax by up to two~~
7 ~~thousand five hundred dollars (\$2,500).~~

8 ~~(c) The qualified student loan must have been taken solely~~
9 ~~to pay educational expenses, including tuition and fees, room~~
10 ~~and board, books, supplies and equipment and other necessary~~
11 ~~expenses, and the loan cannot be from a related person or made~~
12 ~~under a qualified employer plan.~~

13 ~~(d) The tax credit provided in this section may be used~~
14 ~~during the remaining period of the student loan.~~

15 ~~(e) As used in this section, the following words and phrases~~
16 ~~shall have the meanings given to them in this subsection unless~~
17 ~~the context clearly indicates otherwise:~~

18 ~~"Qualified educational institution." A college, university,~~
19 ~~vocational school or other postsecondary educational institution~~
20 ~~eligible to participate in a student aid program administered by~~
21 ~~the United States Department of Education.~~

22 ~~"Qualified student loan." Indebtedness incurred by a~~
23 ~~taxpayer to pay educational expenses, which are incurred on~~
24 ~~behalf of the taxpayer, the taxpayer's spouse or any dependent~~
25 ~~of the taxpayer at the time the indebtedness was incurred.~~

26 ~~"Student loan interest." Interest paid during the year on a~~
27 ~~qualified student loan to attend a qualified educational~~
28 ~~institution, including both required and voluntary interest~~
29 ~~payments.~~

30 Section 2. The addition of section 314.1 of the act

1 SECTION 1. SECTION 301 OF THE ACT OF MARCH 4, 1971 (P.L.6, <--
2 NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, IS AMENDED BY
3 ADDING DEFINITIONS TO READ:

4 SECTION 301. DEFINITIONS.--ANY REFERENCE IN THIS ARTICLE TO
5 THE INTERNAL REVENUE CODE OF 1986 SHALL MEAN THE INTERNAL
6 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 1 ET SEQ.),
7 AS AMENDED TO JANUARY 1, 1997, UNLESS THE REFERENCE CONTAINS THE
8 PHRASE "AS AMENDED" AND REFERS TO NO OTHER DATE, IN WHICH CASE
9 THE REFERENCE SHALL BE TO THE INTERNAL REVENUE CODE OF 1986 AS
10 IT EXISTS AS OF THE TIME OF APPLICATION OF THIS ARTICLE. THE
11 FOLLOWING WORDS, TERMS AND PHRASES WHEN USED IN THIS ARTICLE
12 SHALL HAVE THE MEANING ASCRIBED TO THEM IN THIS SECTION EXCEPT
13 WHERE THE CONTEXT CLEARLY INDICATES A DIFFERENT MEANING:

14 * * *

15 (O.5) "QUALIFIED STUDENT LOAN" MEANS INDEBTEDNESS INCURRED
16 BY A TAXPAYER TO PAY EDUCATIONAL EXPENSES, WHICH ARE:

17 (1) INCURRED ON BEHALF OF THE TAXPAYER, THE TAXPAYER'S
18 SPOUSE OR A DEPENDENT OF THE TAXPAYER AT THE TIME THE
19 INDEBTEDNESS WAS INCURRED; AND

20 (2) TAKEN SOLELY TO PAY EDUCATIONAL EXPENSES, INCLUDING
21 TUITION AND FEES, ROOM AND BOARD, BOOKS, SUPPLIES AND EQUIPMENT
22 AND OTHER NECESSARY EXPENSES.

23 THE TERM DOES NOT INCLUDE INDEBTEDNESS OWED BY A TAXPAYER TO A
24 RELATED PERSON OF THE TAXPAYER.

25 * * *

26 (T.1) "STUDENT LOAN INTEREST" MEANS INTEREST PAID DURING THE
27 YEAR ON A QUALIFIED STUDENT LOAN, INCLUDING REQUIRED AND
28 VOLUNTARY INTEREST PAYMENTS, TO ATTEND A COLLEGE, UNIVERSITY,
29 VOCATIONAL SCHOOL OR OTHER POSTSECONDARY EDUCATIONAL INSTITUTION
30 ELIGIBLE TO PARTICIPATE IN A STUDENT AID PROGRAM ADMINISTERED BY

1 THE UNITED STATES DEPARTMENT OF EDUCATION.

2 * * *

3 SECTION 2. SECTION 303 OF THE ACT IS AMENDED BY ADDING A
4 SUBSECTION TO READ:

5 SECTION 303. CLASSES OF INCOME.--* * *

6 (A.11) THE AMOUNT OF STUDENT LOAN INTEREST PAID DURING A
7 TAXABLE YEAR BY A RESIDENT INDIVIDUAL SHALL BE DEDUCTIBLE FROM
8 TAXABLE INCOME ON THE ANNUAL PERSONAL INCOME TAX RETURN,
9 PROVIDED THAT THE DEDUCTION MAY NOT:

10 (1) EXCEED TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500) PER
11 TAXABLE YEAR; AND

12 (2) RESULT IN TAXABLE INCOME BEING LESS THAN ZERO.

13 * * *

14 SECTION 3. THIS ACT shall apply to taxable years commencing
15 after December 31, 2023.

16 Section ~~3~~ 4. This act shall take effect ~~in 60 days~~ <--

17 IMMEDIATELY. <--