

115TH CONGRESS
1ST SESSION

S. 405

To amend the Internal Revenue Code of 1986 and the Higher Education Act of 1965 to provide an exclusion from income for student loan forgiveness for students who have died or become disabled.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 16, 2017

Mr. COONS (for himself, Mr. KING, Mr. PORTMAN, Ms. STABENOW, Mr. ISAKSON, Mr. BLUMENTHAL, Mr. HOEVEN, Mr. CARPER, Mr. GARDNER, Mr. KAINE, Mrs. FEINSTEIN, Mrs. MURRAY, and Ms. COLLINS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 and the Higher Education Act of 1965 to provide an exclusion from income for student loan forgiveness for students who have died or become disabled.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Taxing Death
5 and Disability Act”.

1 **SEC. 2. TREATMENT OF STUDENT LOANS DISCHARGED ON**
 2 **ACCOUNT OF DEATH OR DISABILITY.**

3 (a) AMENDMENTS TO INTERNAL REVENUE CODE OF
 4 1986.—

5 (1) IN GENERAL.—Section 108(f) of the Inter-
 6 nal Revenue Code of 1986 is amended by adding at
 7 the end the following new paragraph:

8 “(5) DISCHARGES ON ACCOUNT OF DEATH OR
 9 DISABILITY.—

10 “(A) IN GENERAL.—In the case of an indi-
 11 vidual, gross income does not include any
 12 amount which (but for this subsection) would
 13 be includible in gross income by reasons of the
 14 discharge (in whole or in part) of any loan de-
 15 scribed in subparagraph (B) if such discharge
 16 was—

17 “(i) pursuant to subsection (a) or (d)
 18 of section 437 of the Higher Education
 19 Act of 1965 or the parallel benefit under
 20 part D of title IV of such Act (relating to
 21 the repayment of loan liability),

22 “(ii) pursuant to section 464(c)(1)(F)
 23 of such Act, or

24 “(iii) otherwise discharged on account
 25 of the death or total and permanent dis-
 26 ability of the student.

1 “(B) LOANS DESCRIBED.—A loan is de-
2 scribed in this subparagraph if such loan is—

3 “(i) a student loan (as defined in
4 paragraph (2)), or

5 “(ii) a private education loan (as de-
6 fined in section 140(7) of the Consumer
7 Credit Protection Act (15 U.S.C.
8 1650(7))).”.

9 (2) EFFECTIVE DATE.—The amendment made
10 by this section shall apply to discharges of indebted-
11 ness after December 31, 2016.

12 (b) AMENDMENT TO THE HIGHER EDUCATION ACT
13 OF 1965.—Section 437(d) of the Higher Education Act
14 of 1965 (20 U.S.C. 1087(d)) is amended by inserting “or
15 becomes permanently and totally disabled (as determined
16 in accordance with regulations of the Secretary), or if the
17 student is unable to engage in any substantial gainful ac-
18 tivity by reason of any medically determinable physical or
19 mental impairment that can be expected to result in death,
20 has lasted for a continuous period of not less than 60
21 months, or can be expected to last for a continuous period
22 of not less than 60 months” after “dies”.

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