

## HOUSE BILL NO. 595

INTRODUCED BY J. BRUEGGEMAN

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A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING AN INDIVIDUAL INCOME TAX CREDIT RELATED TO THE REPAYMENT OF STUDENT LOANS BY TAXPAYERS WHO HAVE ATTAINED A DEGREE FROM A MONTANA INSTITUTION OF HIGHER LEARNING; ESTABLISHING CONDITIONS OF THE CREDIT; PROVIDING FOR THE REPAYMENT OF THE CREDIT; AND PROVIDING APPLICABILITY DATES."

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

NEW SECTION. **Section 1. Student loan tax credit -- definitions.** As used in [sections 1 and 2], the following definitions apply:

(1) "Montana institution of higher learning" means:

(a) a unit of the Montana university system provided for in 20-25-201;

(b) a community college district as defined in 20-15-101;

(c) a private college or university located in Montana that offers baccalaureate degree level education and is accredited for that purpose by a national or regional accrediting agency recognized by the board of regents of higher education.

(2) "Student loan" means a student obligation note or other debt obligation evidencing a loan to a person for higher education purposes or for the purpose of consolidating or refinancing a loan for higher education purposes. A student loan includes a guaranteed student loan, an educational loan, or a loan eligible for consolidation or refinancing under the federal family education loan program provided for in 20 U.S.C. 1071, et seq.

NEW SECTION. **Section 2. Student loan tax credit -- limitations -- rules.** (1) A taxpayer who attains an associate or baccalaureate degree from a Montana institution of higher learning and who has at least \$5,000 in student loan debt at the time the taxpayer attains the degree is allowed a tax credit against taxes imposed by 15-30-103 in an amount equal to \$500 in the first tax year beginning after the taxpayer attains the degree from a Montana institution of higher learning and for the next 9 successive tax years or until the taxpayer's student loans are repaid, whichever comes first. The credit may be claimed for the tax year in which the loan is repaid.

1 (2) A taxpayer who attains a master's or doctoral degree from a Montana institution of higher learning  
2 and who has at least \$10,000 in student loan debt at the time the taxpayer attains the degree is allowed a tax  
3 credit against taxes imposed by 15-30-103 in an amount equal to \$1,000 in the first tax year beginning after the  
4 taxpayer attains the degree from a Montana institution of higher learning and for the next 9 successive tax years  
5 or until the taxpayer's student loans are repaid, whichever comes first. The credit may be claimed in the tax year  
6 that the student loan is repaid.

7 (3) The credit allowed under this section may not exceed the taxpayer's income tax liability and may  
8 not be claimed as a carryback or a carryforward.

9 (4) The taxpayer is required to provide documentation of the amount of the loan repaid in any tax year  
10 for which a credit is claimed under [sections 1 and 2].

11 (5) The credit allowed under this section may not be claimed in a tax year in which:

12 (a) the taxpayer has not paid any amount of the student loan in the tax year; or

13 (b) any portion of the student loan has been paid on behalf of the taxpayer by another person or entity.

14 (6) A taxpayer who claims a credit under [sections 1 and 2] for student loans related to a particular  
15 degree may not claim the credit for student loans related to any other degree.

16 (7) A taxpayer who defaults on a student loan for which a credit was claimed in any tax year shall repay  
17 to the state the total amount of student loan credits claimed for all tax years.

18 (8) The department shall adopt rules that are necessary to implement and administer [sections 1 and  
19 2]. In adopting rules, the department shall, in consultation with the Montana guaranteed student loan program,  
20 develop procedures to monitor student loan payments by the taxpayer claiming a credit under [sections 1 and  
21 2].

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23 **NEW SECTION. Section 3. Codification instruction.** [Sections 1 and 2] are intended to be codified  
24 as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to  
25 [sections 1 and 2].

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27 **NEW SECTION. Section 4. Applicability.** (1) [This act] applies retroactively, within the meaning of  
28 1-2-109, to persons attaining a degree after December 31, 2002.

29 (2) [This act] applies to tax years beginning after December 31, 2003.

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