SENATE BILL NO. 356

INTRODUCED BY J. BRUEGGEMAN

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 EDUCATION; ESTABLISHING CONDITIONS FOR THE CREDIT; PROVIDING FOR THE REPAYMENT OF THE CREDIT UPON DEFAULT ON A STUDENT LOAN; 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 [section 2] and this section, the following definitions apply:

(1) "Montana institution of higher education" 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 associate or baccalaureate degrees and that 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 educational loan authorized by 20 U.S.C. 1071, et seq., 20 U.S.C. 1087a, et seq., or 20 U.S.C. 1087aa.

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 education is allowed a tax credit against taxes imposed by 15-30-103 in the first tax year beginning after the taxpayer attains the degree and for the number of years allowed in subsection (2) of this section or until the taxpayer's student loans are repaid, whichever occurs first. The credit allowed under this subsection is equal to the amount of the loan repaid in the tax year but may not exceed $500. The credit may be claimed for the tax year in which the loan is repaid.

(2) (a) The credit authorized in subsection (1) may be used for the following number of years:

(i) 2 years for student loans taken out while the taxpayer is a student at a Montana institution of higher education pursuing an associate degree;

(ii) 4 years for student loans taken out while the taxpayer is a student at a Montana institution of higher education pursuing a baccalaureate degree, including any time authorized in subsection (2)(a)(i).

(b) The credit authorized in subsection (1) may be used for a maximum of 4 years regardless of the total number of years authorized in subsection (2)(a).

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

(4) The taxpayer is required to provide to the department, on a form provided by the department, documentation of the amount of the loan repaid in any tax year for which a credit is claimed under subsection (1) or (2).

(5) The credit allowed under this section may not be claimed in a tax year in which any portion of the student loan has been paid on behalf of the taxpayer under a loan repayment program provided by a state or federal agency or by a private entity that employs the taxpayer.

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

(7) The department shall adopt rules that are necessary to implement and administer [section 1] and this section. In adopting rules, the department shall, in consultation with the Montana guaranteed student loan program, develop procedures to monitor student loan payments made by a taxpayer claiming a credit under subsection (1) or (2).

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

NEW SECTION. **Section 4. Applicability.** (1) [This act] applies retroactively, within the meaning of 1-2-109, to taxpayers attaining degrees after December 31, 2006.

(2) [This act] applies to tax years beginning after December 31, 2007.

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