

SENATE BILL NO. 208

INTRODUCED BY T. JACOBSON

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING TAX CREDITS FOR STUDENT LOAN PAYMENTS;
5 PROVIDING FOR A TAX CREDIT FOR STUDENT LOAN PAYMENTS MADE BY AN INDIVIDUAL OR AN
6 EMPLOYER FOR A STUDENT WHO GRADUATED FROM A UNIT OF THE MONTANA UNIVERSITY SYSTEM,
7 A MONTANA COMMUNITY COLLEGE, OR A MONTANA TRIBAL COLLEGE; REQUIRING THE
8 COMMISSIONER OF HIGHER EDUCATION TO FURNISH INFORMATION TO THE DEPARTMENT OF
9 REVENUE FOR ADMINISTRATION OF THE CREDITS; PROVIDING RULEMAKING AUTHORITY; AND
10 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."
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12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 NEW SECTION. **Section 1. Montana student loan relief credit -- definitions.** As used in [sections
15 1 through 5], the following definitions apply:

16 (1) "Benchmark loan payment" means the monthly loan payment for the amount of the principal cap paid
17 over 10 years at the interest rate for federally subsidized Stafford loans under 20 U.S.C. 1077a applicable during
18 the qualified individual's last year of enrollment at a unit of the Montana system, a Montana community college,
19 or a Montana tribal college.

20 (2) "Financial aid package" means financial aid obtained by a student for attendance at a unit of the
21 Montana system, a Montana community college, or a Montana tribal college. The term may include private loans
22 or less than the full amount of loans under federal programs, depending on the practices of the unit of the
23 Montana system, Montana community college, or Montana tribal college.

24 (3) "Part time" means employment with a normal workweek of between 16 and 32 hours.

25 (4) "Principal cap" means:

26 (a) For a qualified individual who obtained a bachelor's degree, the average in-state tuition and
27 mandatory fees for attendance at a unit of the Montana university system, a Montana community college, or a
28 Montana tribal college for the academic year ending during the calendar year prior to the year of graduation
29 multiplied by 4;

30 (b) For a qualified individual who obtained an associate degree, the average in-state tuition and

1 mandatory fees for attendance at a unit of the Montana university system, a Montana community college, or a
2 Montana tribal college.

3 (5) "Qualified individual" means an individual, including a spouse filing a joint return with the individual,
4 who is eligible for the credit provided in [sections 1 through 5] and who:

5 (a) attended one or more units of the Montana university system, Montana community colleges, or
6 Montana tribal colleges and obtained an associate degree or bachelor's degree;

7 (b) is a Montana resident; and

8 (c) worked during the tax year at least part time for an employer or as a self-employed individual or was
9 during the tax year deployed for military service in the United States armed forces, including the national guard
10 and the reserves of the United States armed forces.

11 (6) "Seasonal employment" means employment in an industry in which, because of its seasonal nature,
12 it is customary to operate only during a regularly recurring period or periods of less than 26 weeks in a calendar
13 year.

14 (7) (a) "Term of employment" includes all months when a qualified individual is actually employed
15 including time periods when a qualified individual is on leave or vacation. The term of employment extends to the
16 full year for qualified individuals working for employers who customarily operate only during a regularly recurring
17 period of 9 months or more in a calendar year.

18 (b) For qualified individuals working for employers who customarily operate only during regularly
19 recurring periods of less than 9 months in a calendar year, including seasonal employment, the term of
20 employment extends only to months during which the qualified individual is actually working.

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22 **NEW SECTION. Section 2. Montana student loan relief credit -- rulemaking -- purpose.** (1) The
23 department of revenue shall establish rules necessary to implement the Montana student loan relief credit.

24 (2) Pursuant to 5-4-104, the legislature finds that the purpose of the tax credit provided for in [sections
25 1 through 5] is to:

26 (a) encourage students to remain in Montana after obtaining a degree; and

27 (b) provide educational opportunities for Montana residents, especially displaced workers.

28
29 **NEW SECTION. Section 3. Montana student loan relief credit -- individual.** (1) A qualified individual
30 is allowed a credit against the tax imposed by this chapter for student loan payments that are part of the qualified

1 individual's financial aid package made to a lender during the part of the tax year that the qualified individual
2 worked in Montana or was deployed for military service from Montana.

3 (2) Except as provided in subsection (3), the amount of the credit is equal to the lesser of:

4 (a) the benchmark loan payment multiplied by the number of months during the tax year in which the
5 qualified individual made loan payments; or

6 (b) the monthly loan payment amount multiplied by the number of months during the tax year in which
7 the taxpayer made loan payments.

8 (3) A qualified individual who transferred to a unit of the Montana university system, a Montana
9 community college, or Montana tribal college from an accredited non-Montana community college, tribal college,
10 college, or university and who earned no more than 30 credit hours of course work toward the degree at an
11 accredited non-Montana community college, tribal college, college, or university is eligible for a credit equal to
12 the amount calculated under subsection (2) multiplied by:

13 (a) 50% if the degree obtained was an associate degree; and

14 (b) 75% if the degree obtained was a bachelor's degree.

15 (4) The credit may not be refunded and may not be carried to another tax year.

16 (5) Loan payments in excess of the amount due during the tax year do not qualify for the credit.

17 (6) Refinanced loans or consolidated loans that are part of the qualified individual's financial aid package
18 are eligible for the credit under this section if the refinanced loans or consolidated loans remain separate from
19 other debt, including debt incurred in an educational program other than the degree program for which a credit
20 is claimed under this section.

21 (7) Forbearance or deferment of loan payments does not affect eligibility for the credit under this section.

22 (8) A qualified individual who worked in the state for any part of a month during the Montana residency
23 period of the tax year is considered to have worked in the state for the entire month.

24

25 **NEW SECTION. Section 4. Montana student loan relief credit -- employer.** (1) There is a credit
26 against the taxes imposed by this chapter and chapter 31 for an employer who makes loan payments on behalf
27 of a qualified individual who is an employee.

28 (2) The credit is for loan payments made during the tax year by the employer directly to a lender for loans
29 included in a qualified individual's financial aid package.

30 (3) (a) Except as provided in subsection (3)(b), the amount of the credit is equal to the benchmark loan

1 payment or the actual monthly loan payment made by the employer, whichever is less, multiplied by the number
2 of months during which the employer made loan payments on behalf of the qualified individual employee during
3 the term of employment.

4 (b) If the employee is employed on a part-time basis, the credit is equal to 50% of the amount determined
5 as provided in subsection (3)(a).

6 (4) The credit may not be refunded and may not be carried to another tax year.

7 (5) Loan payments in excess of the amount due during the tax year do not qualify for the credit.

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9 **NEW SECTION. Section 5. Montana student loan relief credit -- employer.** There is a credit against
10 the taxes imposed by chapter 30 and this chapter for an employer who makes loan payments on behalf of a
11 qualified individual who is an employee. The credit must be computed in accordance with the provisions of
12 [section 4].

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14 **NEW SECTION. Section 6. Commissioner to furnish information.** For the purposes of administering
15 the credit provided for in [sections 1 through 5], the commissioner of higher education shall annually provide to
16 the department of revenue:

17 (1) the average in-state tuition and mandatory fees for attendance at a unit of the Montana university
18 system;

19 (2) the average in-state tuition and mandatory fees for attendance at a unit of the Montana university
20 system, a Montana community college, or a Montana tribal college; and

21 (3) the monthly loan payment for the amounts provided for in (1) and (2) paid over 10 years at the
22 interest rate for federally subsidized Stafford loans under 20 U.S.C. 1077a applicable for the current year.

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24 **NEW SECTION. Section 7. Codification instruction.** (1) [Sections 1 through 4] are intended to be
25 codified as an integral part of Title 15, chapter 30, part 23, and the provisions of Title 15, chapter 30, part 23,
26 apply to [sections 1 through 4].

27 (2) [Section 5] is intended to be codified as an integral part of Title 15, chapter 31, and the provisions
28 of Title 15, chapter 31, apply to [section 5].

29 (3) [Section 6] is intended to be codified as an integral part of Title 20, and the provisions of Title 20 apply
30 to [section 6].

