



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0124

Title: Revise laws related to student loans

Primary Sponsor: Morigeau, Shane A

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 124 creates an income exemption for individuals who receive a student loan reimbursement from their employer. As the income is already exempted at the federal level, the proposed bill will have no fiscal impact until FY 2027.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

- SB 124 allows individuals who receive a student loan reimbursement from their employer to exempt the reimbursement from their Montana adjusted gross income. The subtraction is limited to \$5,000 and applies to all tax years beginning after December 31, 2020.
- The income exemption created in SB 124 only applies to reimbursements made for a federal educational loan. Reimbursements for federal parent loans for undergraduate students (PLUS loans) are not eligible.
- Under the federal Consolidated Appropriations Act, 2021, the federal government exempted \$5,250 in contributions by an employer to an employee's eligible education expenses from federal gross income. This includes student loan assistance. This exemption is allowed through TY 2025.
- As the federal government already exempts student loan assistance from federal gross income, any student loan assistance up to \$5,250 provided by an employer is already exempt from Montana's income tax.
- It is assumed that all taxpayers in Montana who receive employer provided student loan assistance will not reach the \$5,250 federal cap.

Fiscal Note Request – As Introduced - Revised

(continued)

6. As the exempted income could not be exempted from income twice, the exemption created by SB 124 will not have any impact to state income tax liabilities until tax year 2026.
7. The department does not expect to incur substantial additional costs because of this bill.

<u>Fiscal Impact:</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. The federal provision exempting employer student loan reimbursements is set to expire for tax years after 2025. Starting in TY 2026, taxpayers will be able to exempt any student loan reimbursement from their Montana gross income, which will reduce Montana tax liabilities. The proposed bill will reduce general fund revenue starting in FY 2027 under current law. Since the federal program is new the participation rate may change from the 8% current employer student load payment participation. If the participation rate does not change significantly, the fiscal cost in FY 2027 would be approximately \$600,000 per year going forward.

NO SPONSOR SIGNATURE

<hr style="border: 0; border-top: 1px solid black;"/> <p>Sponsor's Initials</p>	<p>1/29/21</p> <hr style="border: 0; border-top: 1px solid black;"/> <p>Date</p>	<p>KA</p> <hr style="border: 0; border-top: 1px solid black;"/> <p>Budget Director's Initials</p>	<p>1/27/21</p> <hr style="border: 0; border-top: 1px solid black;"/> <p>Date</p>
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