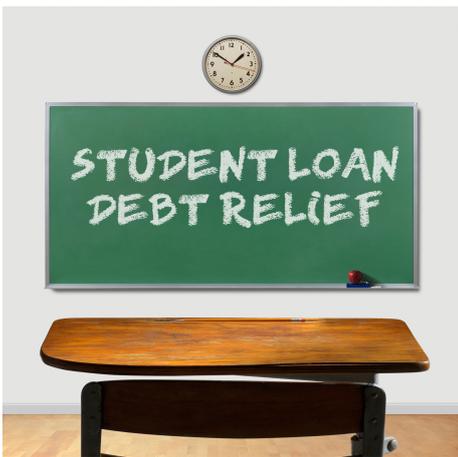




# Biden-Harris Administration Announces Student Loan Debt Relief Plan

On August 24th, President Joe Biden announced a three-part plan to address student loan debt, including forgiveness of up to \$20,000 for some borrowers and extension of the [pandemic-related] repayment freeze a final time, until the end of this year.



## Part 1: Final extension of the student loan repayment pause

The plan's first part is an extension on the pause on student loan repayments one final time, until December 31, 2022.

## Part 2: Providing student loan debt relief to eligible borrowers

The second part of the plan would allow \$20,000 in debt forgiveness if a taxpayer went to college on a Pell Grant, or \$10,000 without the assistance. Debt forgiveness applies only to those earning less than \$125,000 a year (\$250,000 for married couples). The plan doesn't specify how those earnings figures are calculated or to which tax year they apply.

## Part 3: New repayment rules to make the student loan system more manageable

The third part is a modification to the income-based repayment plan rules. The Biden-Harris administration said those with undergraduate degrees and a Pell Grant would have their repayments capped at 5% of monthly income.

Nearly 8 million borrowers may be eligible to receive relief automatically because relevant income data is already available to the U.S. Department of Education. If the department doesn't have a borrower's income data, the borrower will be able to provide it when the administration launches a simple application in the coming weeks.

The Department of Education estimates that, among borrowers who are no longer in college, nearly 90% of relief dollars will go to those earning less than \$75,000 a year.



## How will this affect taxpayers?

Although the student loan debt relief plan confirms that the debt forgiveness will be exempt from federal taxing, the loan forgiveness amount *could be* taxable at the state level due to [law] conformity within a certain state.

For further information on the new student debt relief plan, check out the article released by the Federal Student Aid Office that explains the Plan in detail and also provides links and FAQs regarding the affect this will have on current and future borrowers. [<https://studentaid.gov/debt-relief-announcement/>]