

Young fights tax on student loan funds

by Rep. Don Young
for the Tundra Times

WASHINGTON, D.C. — On Oct. 24, I introduced legislation which would designate funds "forgiven" under the Alaska Student Loan Program as non-taxable income.

OPINION

Changing tax law is extremely difficult. This is going to be a tough battle, but it's one Stevens and I are willing to fight.

My legislation, H.R. 3518, has been referred to the House Ways and Means Committee. Sen. Ted Stevens, R-Alaska, has introduced similar legislation in the U.S. Senate.

We are seeking to change this tax policy because of recent action by the Internal Revenue Service. More than 7,500 Alaskans were contacted by the Alaska Commission on Postsecondary

Education because the IRS is now seeking back taxes and interest on the money "forgiven" on student loans in 1987 and 1988.

Changing tax law is extremely difficult. This is going to be a tough battle, but it's one Stevens and I are willing to fight.

I need to stress that I strongly encourage all Alaskans to comply with the new IRS requirements and promptly file the necessary paperwork with the IRS. There is no guarantee we will be successful in changing the law. But we're going to make every possible effort to protect our Alaskan graduates from this retroactive taxation.

I have contacted Secretary of Treasury Nicholas Brady, expressing my opposition to this new taxation. The IRS waited 17 years before making this ruling, thereby selecting and penalizing just a few of the many students who benefited from this program.

In my letter to Brady, I asked him to restore equity to this chaotic situation, level the playing field and continue the process of not penalizing Alaskan residents for returning to their home state.

I also noted that I believe this ruling is inequitable and requested a review of this decision. The IRS ruling disturbs me because this program has gone unabated for 17 years without a ruling that the 10 percent annual

I need to stress that I strongly encourage all Alaskans to comply with the new IRS requirements and promptly file the necessary paper work with the IRS. There is no guarantee we will be successful in changing the law.

forgiveness of the loan constituted tax liability.

I informed Brady that to correct this inequitable situation, I would be introducing legislation in the House to make the forgiveness of debt by state-funded student loan programs non-taxable.

The State of Alaska, with its own funds, created this forgiveness clause as a way to encourage its students to return to our state.

It's important to point out I am simply asking that those who received loans under the assumption that the debt forgiveness would not be taxed, should not be taxed now.

I also explained to Brady that it will take some time before this legislation can be considered, and I requested that he instruct the IRS to immediately exempt Alaska students from paying this

retroactive tax.

The State of Alaska offers one of the finest student loan programs in the nation. Thousands of Alaskans have benefited from these loans, graduated from college and returned to our state to begin their careers.

It's my hope that we can protect one of the key provisions of this program — a clause which strongly encourages our graduates to return to their home state.

The "forgiveness" provision is state-funded — not one dime is contributed by the federal government. I think it is wrong for the IRS to now institute a retroactive tax against thousands of students, most of whom are struggling to begin their careers.

I will keep you informed on this status of my efforts in the coming weeks.