

MICUA SB 805 Student Loan Relief Tax Credit FAV.pd

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Position: FAV



Letter of Support

Budget and Taxation Committee
SB 805 (Hettleman)
Income Tax – Student Loan Debt Relief Tax Credit - Alterations

Matt Power, President
mpower@micua.org
March 3, 2026

On behalf of Maryland’s independent colleges and universities and the more than 56,000 students we serve, thank you for the opportunity to provide a letter of support regarding [**SB 805 \(Hettleman\) Income Tax – Student Loan Debt Relief Tax Credit - Alterations.**](#)

The bill authorizes the Maryland Higher Education Commission to extend the period of time that an individual who claims the credit to repay the student loan debt if unable due to: “1) a period of forbearance related to litigation concerning the federal Saving on a Valuable Education (SAVE) student loan repayment plan; 2) the inability of the individual to change from one income-based repayment plan to another plan due to understaffing at the U.S. Department of Education; and 3) a period of forbearance during which the individual was awaiting an agreement under the Federal Public Service Loan Forgiveness (PSLF) Buyback Program and unable to make any Student Loan debt payments.”

The U.S. Department of Education has an IDR backlog of 626,412 applications, down from 734,221 in the month prior to this reporting¹. Last year, it was reported that 2 million applications were delayed due to the Department’s temporary shutdown of the IDR application process². The SAVE program has been blocked and is expected to be dissolved, where thousands of borrowers are still under the plan and unable to switch to a new repayment plan due to backlogs. The PSLF Buyback Program has not progressed, and applications have increased from 83,370 to 86,520³.

Borrowers who have obtained qualifying employment to become eligible for the various repayment plans and the PSLF Buyback Program have been delayed in obtaining approval. SB 805 would help provide graduates and families with additional time to repay and use the credit upon the Education Department's clearance of the backlog. If you have any questions, please contact Irnande Altema, Vice President for Government and Business Affairs, ialtema@micua.org.

For these reasons, MICUA urges a favorable Committee report for Senate Bill 805.

¹Minsky, Adam S. (2026, February 17) *Forbes*. [More Than 700,000 Borrowers Have Student Loans Stuck In Huge Backlogs.](#)

² *Id.*

³ *Id.*

SB0805_Income_Tax_-_Student_Loan_Debt_Relief_Tax_C

Uploaded by: Cecilia Plante

Position: FAV



TESTIMONY

SB0805 Income Tax – Student Loan Debt Relief Tax Credit – Alterations

Bill Sponsor: Senator Hettleman

Committee: Budget and Taxation

Organization Submitting: Maryland Legislative Coalition

Person Submitting: Aileen Alex, Co-Chair

Position: FAVORABLE

I am submitting this testimony in favor of SB0805 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists – individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists, and our Coalition supports well over 30,000 members.

The current federal regime has shown little interest in helping citizens burdened by crushing student loan debt—just as the cost of living, including the ability to buy a home, becomes increasingly prohibitive. Marylanders are being squeezed from every direction: wages that don't keep pace with inflation, housing prices that shut families out of stability, and student loan balances that follow them for decades. In this environment, state level relief is not just helpful; it is essential.

SB0805 makes important improvements to Maryland's Student Loan Debt Relief Tax Credit by ensuring that only the *unused* portion of the credit is subject to recapture and by allowing the Maryland Higher Education Commission to grant extensions when borrowers need more time to document repayment. These are practical, humane adjustments that recognize the real-world pressures facing Marylanders with student loan debt.

SB0805 does not solve the national student debt crisis, but it does ensure that Maryland's own relief program operates with fairness and flexibility.

We request a **FAVORABLE** report on SB0805.

SB0805_MACC_FAV.pdf

Uploaded by: Drew Jabin

Position: FAV

Senate Budget and Taxation Committee

March 3, 2026

SB 805 - Income Tax - Student Loan Debt Relief Tax Credit - Alterations

Position: Favorable

The Maryland Association of Community Colleges (MACC), representing Maryland's 16 community colleges, supports **SB 805**. This legislation makes thoughtful and practical adjustments to the Student Loan Debt Relief Tax Credit that will better support Maryland graduates as they work to repay student loan debt and remain in the State's workforce.

Senate Bill 805 modifies current law to require recapture only of the unused portion of a tax credit if it is not fully applied toward student loan repayment, rather than recapturing the entire credit amount. The bill also authorizes the Maryland Higher Education Commission to grant extensions when borrowers are unable to use the credit within the required three-year timeframe due to federal student loan repayment disruptions, including litigation affecting repayment plans, delays in changing income-driven repayment options, or temporary forbearance while awaiting federal public service loan forgiveness agreements. These changes reflect the ongoing uncertainty in federal student loan servicing and ensure that borrowers who act in good faith are not penalized for circumstances outside of their control.

Maryland's community colleges serve a significant share of the State's low- and moderate-income students, many of whom rely on student loans to access higher education and workforce training. Strengthening the Student Loan Debt Relief Tax Credit and making it more responsive to real-world repayment challenges will help community college graduates manage debt, remain in Maryland's workforce, and pursue careers in public service and other high-demand fields. Accordingly, MACC urges the Committee to issue a **FAVORABLE** report on **SB 805**.

Please contact Brad Phillips (bphillips@mdacc.org) or Drew Jabin (djabin@mdacc.org) with questions.

SB805_MSEA_Lamb_FAV.pdf

Uploaded by: Lauren Lamb

Position: FAV

FAVORABLE
Senate Bill 805
Income Tax - Student Loan Debt Relief Tax Credit - Alterations

Senate Budget & Taxation Committee
March 3, 2026

Lauren Lamb
Government Relations

The Maryland State Education Association supports Senate Bill 805, which would authorize the Maryland Higher Education Commission to extend the deadline for certain individuals who claim a student loan debt-related credit against the State income tax to prove that they used the credit as intended. This is designed to accommodate individuals affected by federal actions, litigation, or understaffing, including those seeking income-based repayment plans or participating in the Public Service Loan Forgiveness program.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our almost 900,000 students for the careers and jobs of the future. MSEA also represents 44 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3-million-member National Education Association (NEA).

The dismantling of the U.S. Department of Education and the uncertainty surrounding the future of federal loan repayment programs has had devastating effects on public schools and educators themselves. According to a 2020 survey of educators working in pre-K-12 and higher education settings, 45% of educators report having taken out student loans at an average overall amount of \$55,800.¹ Increasing tuition prices compound the effects for educators under 35 years old: 42% of young educators took out at least \$65,000 in loans to fund their own education.² Educators comprise the largest share of participants in the Public Service Loan Forgiveness (PSLF) program. A January 2025 report by the U.S. Department of Education reports that K-12 school systems or institutions of higher education make up 43% of the employers of PSLF program participants.³ This bill would adjust our state's approach to documenting eligibility for student loan tax credits to ensure that these educators are not penalized for dysfunction at the federal level.

We urge the committee to issue a favorable report on Senate Bill 805.

¹ Student Loan Debt Among Educators: A National Crisis. National Education Association (2021).
<https://www.nea.org/sites/default/files/2021-07/Student%20Loan%20Debt%20among%20Educators.pdf>

² Ibid.

³ Where Do Borrowers Who Benefit from Public Service Loan Forgiveness Work? U.S. Department of Education (2025).
<https://www.nea.org/sites/default/files/2025-03/where-do-borrowers-who-benefit-from-pslf-work.pdf>

BTU Testimony SB 805 2026.pdf

Uploaded by: Nathan Ferrell

Position: FAV



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**Senate Bill 805 – Income Tax – Student Loan Debt Relief Tax Credit – Alterations
Budget and Taxation
March 3, 2026**

FAVORABLE

The Baltimore Teachers Union represents over 9,000 employees of Baltimore City Public Schools, including teachers, paraprofessionals, school secretaries, counselors, librarians, clinicians, transportation aides, and school support staff. As educators, our legacy of collective bargaining has long advocated for the learning conditions that students need in order to thrive, as our working conditions are our students' learning conditions. The Baltimore Teachers Union is writing in strong **support** of SB 805 and **we request that the committees issue a favorable report.**

This legislation is urgently needed to ensure that the Maryland Student Loan Debt Relief Tax Credit continues to function as intended—providing meaningful financial relief to Marylanders burdened by student debt, not penalizing them for federal delays beyond their control.

Right now, thousands of borrowers are stuck in circumstances they did not create: backlogs in income-driven repayment applications, ongoing litigation affecting the SAVE plan, and delays in Public Service Loan Forgiveness (PSLF) credit buybacks. These federal issues have made it impossible for some borrowers to spend down their tax credit within Maryland's required timeline.

This practical and solutions oriented legislation directly impacts Members of the Baltimore Teachers Union who know how essential this tax credit is. Educators, school staff, social workers, and countless other public servants rely on it to manage the cost of the degrees required for their work. The credit can mean the difference between financial stability and mounting debt. It has helped many of us remain in the professions our communities depend on.

The current all-or-nothing recapture rule risks punishing borrowers who did everything right. SB 805's prorated model is fair, logical, and humane. Granting MHEC flexibility to extend the spend-down period protects borrowers from losing the relief they were promised.

For these reasons, the Baltimore Teachers Union urges a favorable report on this bill. Thank you for your time and consideration.

2.27 - SB 805 - Income Tax - Student Loan Debt Re

Uploaded by: Rachael Keyes

Position: FAV



SB 805 - Income Tax - Student Loan Debt Relief Tax Credit - Alterations
Senate Budget & Taxation Committee
March 3, 2026
SUPPORT

Chair Guzzone, Vice-Chair, and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 805. This bill strengthens Maryland's Student Loan Debt Relief Tax Credit by making repayment fairer and allowing deadline extensions when federal repayment system issues prevent borrowers from using the credit as intended.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Each year, we see how complex tax provisions and shifting federal loan policies create confusion and unintended penalties for working families. SB 805 reflects a practical understanding of how these systems intersect and how strict repayment rules can undermine the purpose of financial relief.

For low- and moderate-income individuals, particularly those balancing complex federal repayment plans or facing administrative barriers, SB 805 reduces the risk of losing a tax benefit that was meant to provide relief. By making recapture rules more targeted and by offering a clear path for extensions, the bill strengthens the effectiveness of the tax credit and supports Maryland families working to manage student loan debt.

These borrowers are also less likely to have savings to absorb unexpected state tax liabilities. When relief programs include rigid deadlines without flexibility for federal disruptions, the households in most need of stability are exposed to additional financial risk. SB 805 promotes predictability and fairness, which are foundational to asset building and long-term financial security.

According to the national study, more than 125,000 current and former Maryland students may collectively owe their schools over \$332 million, for an average of more than \$2,600 per student.¹ Maryland has invested in policies that encourage upward mobility and responsible repayment. Ensuring that borrowers are not penalized for federal administrative delays protects that investment. SB 805 is a targeted adjustment that preserves the integrity of the credit while safeguarding working families who are acting in good faith to repay their loans.

¹ <https://sr.ithaka.org/blog/a-state-by-state-snapshot-of-stranded-credits-data-and-policy/>



Thus, we encourage you to return a favorable report for SB 805.

Creating Assets, Savings and Hope

Testimony in support of SB0805 - Student Loan Debt

Uploaded by: Richard KAP Kaplowitz

Position: FAV

SB0805_RichardKaplowitz_FAV

03/03/2026

Richard Keith Kaplowitz

Frederick, MD 21703

TESTIMONY ON SB#0805- POSITION: FAVORABLE

Income Tax - Student Loan Debt Relief Tax Credit - Alterations

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee

FROM: Richard Keith Kaplowitz

My name is Richard Keith Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of SB#0805, **Income Tax - Student Loan Debt Relief Tax Credit - Alterations**

This bill is submitted to assist Marylanders with student debt from the devastating decisions being made by the Federal Administration. *Trump officials move to scrap Biden student-loan repayment plan - Education department announces plans to halt 'illegal' Save program as critics call news 'devastating' for borrowers*¹

...the education department announced plans to halt what it called Biden's "illegal" Save plan – the Saving on a Valuable Education income-driven repayment program which currently has more than 7 million borrowers. In a [press release](#), the education department said it plans to stop all new Save enrollments, deny any pending applications and transition existing borrowers into alternative repayment plans.

Maryland can take actions to mitigate the results of the Federal actions. The Education Data Initiative has a study on the *Economic Effects of Student Loan Debt*²

Student loan debt creates significant, long-term financial strain by reducing disposable income, limiting homeownership and retirement savings, and forcing career choices based on salary rather than passion. It causes severe stress and anxiety, negatively impacts credit scores due to delinquencies, and can hinder small business formation.³

This bill is Maryland's recognition that action can and must occur at the state level.

This bill will assist in that goal by altering certain provisions of law governing the recapture of certain amounts of the credit against the State income tax for certain individuals with student loan debt to require the recapture of the unused amount of the credit rather than the total amount; authorizing the Maryland Higher Education Commission to extend the period of time that an individual who claims the credit has to prove that the individual used the credit to repay the individual's student loan debt under certain circumstances; etc.

I respectfully urge this committee to return a favorable report on SB#0805.

¹ <https://www.theguardian.com/us-news/2025/dec/09/trump-biden-save-loan-program>

² <https://educationdata.org/student-loan-debt-economic-impact>

³ Google AI Search "negative effects of student loan debt"

SB805_FAV_Hettleman.pdf

Uploaded by: Shelly Hettleman

Position: FAV

SHELLY HETTLEMAN
Legislative District 11
Baltimore County

Budget and Taxation Committee

Subcommittees

Capital Budget

Pensions

Chair, Public Safety, Transportation,
and Environment

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THE SENATE OF MARYLAND
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TESTIMONY OF SENATOR SHELLY HETTLEMAN
SB 805 - INCOME TAX - STUDENT LOAN DEBT RELIEF TAX CREDIT -
ALTERATIONS

Maryland's Student Loan Debt Relief Tax Credit was designed to help borrowers make meaningful progress on their student debt. Yet, through no fault of their own, thousands of Marylanders are being penalized by a federal loan system in crisis. The Department of Education is sitting on a backlog of over 800,000 Income-Driven Repayment ("IDR") applications. Borrowers are falling into forced forbearance while litigation over the Saving on a Valuable Education ("SAVE") plan drags on. And the federal government's new Repayment Assistance Plan ("RAP") is restructuring repayment in ways that make it mathematically impossible for some borrowers to spend down their state tax credit within the required window.

Under our current law, a borrower who fails to use their full tax credit within the allotted period must repay the entire amount, rather than just the unused portion. For example, if a borrower only spends \$950 of a \$1,000 credit because they were stuck in a federal forbearance, they owe the state the full \$1,000. This is not a sound economic policy; it is a trap ensnaring thousands of borrowers.

In response, Senate Bill 805 fixes two issues. First, it converts the recapture rule from an all-or-nothing "claw back" to a prorated model. As a result, borrowers only repay what they did not use. So, in the previous example, the borrower would only have to pay \$50 instead of \$1000. Second, the bill gives the Maryland Higher Education Commission the authority to extend the spend-down period for borrowers caught in SAVE litigation, the IDR backlog, or a Public Service Loan Forgiveness ("PSLF") buyback delay, thereby giving them vital time to use their tax credit before losing it.

The bottom line is that nobody should be punished for pursuing an education. The federal loan fiasco is not the fault of borrowers, and these circumstances are entirely outside their control. As such, borrowers should not be held accountable for federal dysfunction. To be clear, SB 805 does not give anyone a windfall. Instead, it simply ensures that Maryland's tax credit program does not place additional burdens on borrowers already reeling from the disorder of their loan repayment programs. Thank you for your consideration of Senate Bill 805.

SEIU Local 500 - Testimony in Support of SB 805 20

Uploaded by: Travis Simon

Position: FAV



Testimony - SB 805, Income Tax - Student Loan Debt Relief Tax Credit - Alterations
Favorable
Senate Budget & Taxation Committee
March 3, 2026
Travis B. Simon
Executive Director, SEIU Local 500

Honorable Chairman Guzzone & Members of the Senate Budget & Taxation Committee:

On behalf of SEIU Local 500, which represents over 23,000 public workers across Maryland, we respectfully urge a favorable report on Senate Bill 805.

Our members are education and public service workers across Maryland, including higher education faculty and staff, graduate employees, and State and local public servants. Many of our members carry significant student loan debt while dedicating their careers to serving Maryland families. The Student Loan Debt Relief Tax Credit has been a critical tool in helping working people make meaningful progress toward financial stability. SB 805 ensures that this program works as intended.

Maryland borrowers are being penalized through no fault of their own by a federal student loan system in crisis. The U.S. Department of Education is currently facing a backlog of more than 800,000 Income-Driven Repayment applications. Ongoing litigation surrounding the Saving on a Valuable Education (SAVE) plan and the rollout of the new Repayment Assistance Plan (RAP) have left many borrowers in forced forbearance or unable to make qualifying payments. Others are stuck awaiting determinations under the Public Service Loan Forgiveness (PSLF) buyback program.

Under current Maryland law, borrowers who are prevented from using their full tax credit within the required period must repay the entire credit amount — not just the unused portion. As an example, if a borrower uses \$950 of a \$1,000 credit but is blocked from paying the remaining \$50 due to federal forbearance, the borrower must repay the full

\$1,000. This all-or-nothing clawback is not sound economic policy; it is a punitive trap for working people caught in federal dysfunction.

SB 805 makes two commonsense and fair corrections.

First, it converts the recapture provision to a prorated model, requiring repayment only of the unused portion of the credit. This simple change restores basic fairness and ensures the State does not penalize borrowers who made good-faith efforts to comply.

Second, the bill authorizes the Maryland Higher Education Commission to extend the spend-down period for borrowers impacted by SAVE litigation, IDR processing backlogs, or PSLF buyback delays. This flexibility recognizes the reality that borrowers cannot control federal administrative failures and should not lose state benefits because of them.

For many SEIU Local 500 members — including educators and public service workers who often earn modest salaries compared to their level of education — this credit represents real relief. It can mean the difference between staying in public service or leaving for higher-paying private-sector work. If Maryland is serious about recruiting and retaining talented workers in education and public service, we must ensure that programs like the Student Loan Debt Relief Tax Credit function fairly and predictably.

No one should be punished for pursuing an education or for choosing a career in public service. SB 805 ensures that Maryland's tax credit program supports borrowers rather than compounding the instability created by federal loan mismanagement.

For these reasons, SEIU Local 500 respectfully urges a favorable report on SB 805.

Thank you for your time and consideration.