Testimony - SB 805, Income Tax - Student Loan Debt Relief Tax Credit - Alterations
Favorable
House Ways & Means Committee
April 2, 2026
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Honorable Chairwoman Wilkins & Members of the House Ways & Means 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.