



HB1297 Income Tax - Student Loan Debt Relief Tax Credit

Position: Favorable

February 26, 2026

The Honorable Jheanelle K. Wilkins, Chair
Ways and Means Committee
130 Taylor Office Building
Annapolis, MD 21401
Cc: Members of the Committee

Chair Wilkins and members of the Ways and Means Committee,

Economic Action Maryland Fund urges a favorable report on HB1297 which provides extensions for Marylanders with student loan debt to use the tax credit due to challenges at the federal level.

In Maryland, the average student loan debt is \$43,781¹. The state has approximately 847,400 student loan borrowers who collectively owe \$37.1 billion in student loan debt. This represents 13.5% of Maryland's population, with 47.5% of these borrowers being under the age of 35.

Maryland established the Student Loan Debt Relief Tax Credit which provides a refundable tax credit up to \$5,000 for eligible student loans. However, due to changes at the federal level, Maryland's borrowers are caught up in the backlog of applications for an income-based student loan repayment program and litigation over the SAVE program. In addition, the federal government's newest loan repayment plan has made it mathematically impossible for some borrowers to spend down their Maryland tax credit within the required time frame.

HB 1297 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. In the previous example, the borrower would only have to pay \$50 instead of \$1,000. 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.

For all these reasons, we support HB534 and urge a favorable report.

Best,

Marceline White
Executive Director

¹ <https://labor.maryland.gov/finance/finregombudrep2025.pdf>

Economic Action (formerly the Maryland Consumer Rights Coalition) champions economic rights and housing justice through advocacy, research, consumer education, and direct service. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.