

House Ways and Means Committee

February 26, 2026

HB 1297 - 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 **HB 1297**. 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.

House Bill 1297 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 **HB 1297**.

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