

1 TO THE HONORABLE SENATE:

2 The Committee on Economic Development, Housing and General Affairs to  
3 which was referred Senate Bill No. 331 entitled “An act relating to reducing  
4 student loan debt for rural Vermont workers” respectfully reports that it has  
5 considered the same and recommends that the bill be amended by striking out  
6 all after the enacting clause and inserting in lieu thereof the following:

7 Sec. 1. FINDINGS AND PURPOSE

8 (a) The General Assembly finds:

9 (1) The Federal Reserve has identified that student debt is a major  
10 reason why college graduates choose to leave rural areas. Vermont has a State  
11 average of \$31,432 in loan debt per student, higher than the national average of  
12 \$28,565.

13 (2) Outstanding student loan balances have more than doubled in real  
14 terms to about \$1.5 trillion in the last decade, with average real student loan  
15 debt per capita for individuals 24 to 32 years of age rising from about \$5,000  
16 in 2005 to \$10,000 in 2014.

17 (3) Student loan debt places a significant burden on Vermont workers  
18 and may prevent new workers from affording home ownership, particularly in  
19 rural areas of the State where job opportunities are fewer and wages are  
20 generally lower.

1           (4) In surveys, young adults commonly report that their student loan  
2           debts are preventing them from buying a home.

3  
4           (5) The homeownership rate in the United States fell approximately  
5           4 percentage points in the wake of the financial crisis, from a peak of 69  
6           percent in 2005 to 65 percent in 2014.

7           (6) The decline in homeownership was even more pronounced among  
8           young adults. Whereas 45 percent of household heads 24 to 32 years of age in  
9           2005 owned their own home, just 36 percent did in 2014—a marked nine  
10          percentage point drop.

11          (7) While many factors have influenced the downward slide in the rate  
12          of homeownership, some believe that the historic levels of student loan debt  
13          have been particular impediments.

14          (b) The purposes of this act are:

15                 (1) to recruit new workers to rural areas of Vermont;

16                 (2) to provide relief and retain Vermonters with student loan debt; and

17                 (3) to stimulate our economy by offsetting the burden of student loan  
18          debt.

19          Sec. 2. 10 V.S.A. chapter 1 is amended to read:

20                                 CHAPTER 1. ECONOMIC DEVELOPMENT

21   \* \* \*

1 § 4. RURAL VERMONT WORKFORCE INCENTIVE PROGRAM

2 (a) The Agency of Commerce and Community Development, in  
3 coordination with the Vermont Housing Finance Agency, shall design and  
4 implement a Rural Vermont Workforce Incentive Program to provide student  
5 loan debt relief to qualifying buyers who:

6 (1) purchase a home in a Vermont Opportunity Zone;

7 (2) qualify for and participate in the Down Payment Assistance Program  
8 authorized in 32 V.S.A. § 5930u(b)(3); and

9 (3) have current student loan debt incurred for postsecondary education.

10 (b) Under the Program, subject to available funding:

11 (1) The Agency of Commerce and Community Development shall  
12 obtain information from VHFA about qualifying buyers and create an  
13 application and a process to verify eligibility.

14 (2) Upon successful application, the Agency shall award a grant of  
15 \$2,500 per year, for up to six years, provided the buyer continues to own the  
16 home and has student loan debt.

17 (3) The Agency shall pay the grant directly to the lending institution that  
18 holds the student loan debt.

19 (4) The Agency shall make reasonable efforts to give priority to a buyer  
20 who is employed in an area in which Vermont is experiencing a significant  
21 workforce shortage, as determined by the Agency.

1       (c) The Agency shall:

2               (1) adopt procedures for implementing the Program, which shall include  
3 a process to verify information about buyers;

4               (2) promote awareness of the Program; and

5               (3) adopt measurable goals, performance measures, and an audit strategy  
6 to assess the utilization and performance of the Program.

7       (d) On or before December 15 of each year the Agency provides grants  
8 pursuant to this section, the Agency shall submit a report to the House  
9 Committee on Commerce and Economic Development and the Senate  
10 Committee on Economic Development, Housing and General Affairs  
11 concerning the implementation of this section, including:

12               (1) a description of the policies and procedures adopted to implement  
13 the Program;

14               (2) the promotion and marketing of the Program; and

15               (3) an analysis of the utilization and performance of the Program.

16       Sec. 3. 32 V.S.A. § 5811(21) is amended to read:

17               (21) “Taxable income” means, in the case of an individual, federal  
18 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

19                       (A) Increased by the following items of income (to the extent such  
20 income is excluded from federal adjusted gross income):

1 (i) interest income from non-Vermont state and local obligations;

2 and

3 (ii) dividends or other distributions from any fund to the extent  
4 they are attributable to non-Vermont state or local obligations; and

5 (B) Decreased by the following items of income (to the extent such  
6 income is included in federal adjusted gross income):

7 (i) income from U.S. government obligations;

8 (ii) with respect to adjusted net capital gain income as defined in  
9 26 U.S.C. § 1(h) reduced by the total amount of any qualified dividend  
10 income: either the first \$5,000.00 of such adjusted net capital gain income; or  
11 40 percent of adjusted net capital gain income from the sale of assets held by  
12 the taxpayer for more than three years, except not adjusted net capital gain  
13 income from:

14 (I) the sale of any real estate or portion of real estate used by  
15 the taxpayer as a primary or nonprimary residence; or

16 (II) the sale of depreciable personal property other than farm  
17 property and standing timber; or stocks or bonds publicly traded or traded on  
18 an exchange, or any other financial instruments; regardless of whether sold by  
19 an individual or business; and provided that the total amount of decrease under  
20 this subdivision (21)(B)(ii) shall not exceed 40 percent of federal taxable  
21 income or \$350,000, whichever is less;

1 (iii) recapture of State and local income tax deductions not taken  
2 against Vermont income tax; ~~and~~

3 (iv) the portion of federally taxable benefits received under the  
4 federal Social Security Act that is required to be excluded under section 5830e  
5 of this chapter; and

6 (v) the amount of employer student loan payments deducted under  
7 section 5830f of this chapter; and

8 \* \* \*

9 Sec. 4. 32 V.S.A. § 5830f is added to read:

10 § 5830f. DEDUCTION FOR EMPLOYER PAYMENTS OF STUDENT

11 LOAN DEBT

12 (a) As used in this section:

13 (1) “Institution of higher education” means an institution of  
14 postsecondary education that generally limits enrollment to graduates of  
15 secondary schools and awards degrees at either the baccalaureate or graduate  
16 level. An institution of higher education includes public, private nonprofit, and  
17 for-profit institutions of higher education.

18 (2) “Qualified student loan” means a loan incurred to attend an  
19 institution of higher education.

20 (3) “Qualified taxpayer” means a taxpayer who:

1           (A) makes payments on a qualified student loan during the taxable  
2 year;

3           (B) for an individual who does not file a joint tax return, has federally  
4 adjusted gross income for the taxable year that does not exceed \$200,000.00;

5           (C) for taxpayers filing joint returns, has federally adjusted gross  
6 income for the taxable year that does not exceed \$250,000.00.

7           (4) “Employer” means a person who is required to furnish  
8 unemployment insurance coverage pursuant to 21 V.S.A. chapter 17.

9           (b) A qualified taxpayer may deduct from taxable income the first  
10 \$5,000.00 of payments made toward a qualified student loan on his or her  
11 behalf by an employer.

12 **Sec. 5. 32 V.S.A. § 5932(6) is amended to read:**

13           **(6) “Refund” means any individual’s State income tax refund under**  
14 **chapter 151 of this title and, except in the case of the Vermont Student**  
15 **Assistance Corporation, any payment due a claimant under chapter 154 of this**  
16 **title.**

17 **Sec. 6. 32 V.S.A. § 5830g is added to read:**

18 **§ 5830g. EMPLOYER CREDIT FOR EMPLOYEE STUDENT LOAN**

19           **PAYMENTS**

20           **(a) As used in this section:**

1           (1) “Institution of higher education” means an institution of  
2           postsecondary education that generally limits enrollment to graduates of  
3           secondary schools and awards degrees at either the baccalaureate or graduate  
4           level. An institution of higher education includes public, private nonprofit, and  
5           for-profit institutions of higher education.

6           (2) “Qualified education loan” means a loan incurred to attend an  
7           institution of higher education.

8           (3) “Qualified employee” means an individual who is employed full  
9           time and who is domiciled in this State during the entire taxable year.

10           (4) “Qualified employer” means a person who is required to furnish  
11           unemployment insurance coverage pursuant to 21 V.S.A. chapter 17.

12           (5) “Qualified payment” means a payment made by a qualified  
13           employer directly to a lender or through a customized repayment program on a  
14           qualified education loan on behalf of a qualified employee.

15           (b) A qualified employer that makes a qualified payment on a qualified  
16           education loan on behalf of the employer’s qualified employee shall be eligible  
17           for a nonrefundable credit against the tax imposed, for that taxable year, under  
18           section 5822, 5832, 5836, or 8551 of this title, or against the taxes imposed  
19           under 8 V.S.A. § 6014 or 33 V.S.A. chapter 19, subchapter 2. The credit shall  
20           be in an amount equal to the payments made to the outstanding balance of the  
21           employee’s loan by the employer during the taxable year, provided the amount



1 of credit allowed for each qualified employee in each taxable year shall not  
2 exceed \$5,000.00.

3 (c) A qualified employer that claims the credit under this section shall  
4 provide any information requested in the form and manner required by the  
5 Commissioner of Taxes.

6 Sec. 7. 32 V.S.A. § 5825a(b) is amended to read:

7 (b) A taxpayer who has received a credit under subsection (a) of this  
8 section shall repay to the Commissioner 10 percent of any distribution from a  
9 higher education investment plan account, ~~which distribution is not used~~  
10 ~~exclusively for costs of attendance at an approved postsecondary education~~  
11 ~~institution as defined in 16 V.S.A. § 2822(6), up to a maximum of the total~~  
12 credits received by the taxpayer under subsection (a) of this section minus any  
13 amount of repayment of such credits in prior tax years except when the  
14 distribution:

15 (1) is used exclusively for costs of attendance at an approved  
16 postsecondary education institution as defined in 16 V.S.A. § 2822(6);

17 (2) qualifies as an expense associated with registered apprenticeship  
18 programs pursuant to 26 U.S.C. § 529(c)(8) or as an education loan repayment  
19 pursuant to 26 U.S.C. § 529(c)(9); or

1           (3) is made after the death of the beneficiary or after the beneficiary  
2           becomes disabled pursuant to subdivisions (q)(2)(C) and (m)(7) of 26 U.S.C.  
3           § 72.

4           (c) Repayments under ~~this~~ subsection (b) of this section shall be subject to  
5           assessment, notice, penalty and interest, collection, and other administration in  
6           the same manner as an income tax under this chapter.

7           Sec. 8. EFFECTIVE DATES

8           This act shall take effect on July 1, 2020, except that Secs. 3–7 shall take  
9           effect on January 1, 2021 and apply to returns filed for taxable year 2021 and  
10          after.