

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. 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) The Vermont Housing Finance Agency shall provide the Agency of
11 Commerce and Community Development with relevant information about
12 qualifying buyers.

13 (c) The Agency of Commerce and Community Development shall, subject
14 to available funding:

15 (1) create an application and a process to verify eligibility of qualifying
16 buyers;

17 (2) upon approval and provided that the qualifying buyer continues to
18 own the home and have student, grant an award payable as follows:

19 (A) \$2,000.00 on the first anniversary of home ownership; and

20 (B) \$1,000.00 on the second, third, and fourth anniversaries of home
21 ownership;

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

3 * * *

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

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

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

11 * * *

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

13 § 5830f. DEDUCTION FOR EMPLOYER PAYMENTS OF STUDENT

14 LOAN DEBT

15 (a) As used in this section:

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

18 (2) “Approved postsecondary education institution” shall have the same
19 meaning as in 16 V.S.A. § 2822(6).

20 (3) “Qualified student loan” means a loan incurred by a student for the
21 purpose of financing the costs of attending an approved postsecondary

1 education institution or an apprenticeship program registered and certified with
2 the U.S. Secretary of Labor under 29 U.S.C. § 50, including tuition, fees,
3 books, supplies, equipment, room and board, living expenses, transportation,
4 and other personal expenses.

5 (4) “Qualified taxpayer” means a taxpayer who:

6 (A) makes payments on the taxpayer’s qualified student loan during
7 the taxable year; and

8 (B) earns income during the taxable year in an amount that does not
9 exceed 150 percent of the average annual wage as determined under 21 V.S.A.
10 § 1338(g).

11 (b) A qualified taxpayer may deduct from taxable income the first
12 \$5,000.00 of payments made in the taxable year toward a qualified student
13 loan on the qualified taxpayer’s behalf by an employer.

14 Sec. 5. 32 V.S.A. § 5830g is added to read:

15 § 5830g. EMPLOYER CREDIT FOR EMPLOYEE STUDENT LOAN

16 PAYMENTS

17 (a) As used in this section:

18 (1) “Approved postsecondary education institution” shall have the same
19 meaning as in 16 V.S.A. § 2822(6).

20 (2) “Qualified student loan” means a loan incurred by a student for the
21 purpose of financing the costs of attending an approved postsecondary

1 education institution or an apprenticeship program registered and certified with
2 the U.S. Secretary of Labor under 29 U.S.C. § 50, including tuition, fees,
3 books, supplies, equipment, room and board, living expenses, transportation,
4 and other personal expenses.

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

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

9 (5) “Qualified payment” means a payment made by a qualified
10 employer directly to a lender or through a customized repayment program on a
11 qualified student loan on behalf of a qualified employee.

12 (b) A qualified employer that makes a qualified payment on a qualified
13 student loan on behalf of the employer’s qualified employee shall be eligible
14 for a nonrefundable credit against the tax imposed, for that taxable year, under
15 section 5822, 5832, 5836, or 8551 of this title, or against the taxes imposed
16 under 8 V.S.A. § 6014 or 33 V.S.A. chapter 19, subchapter 2. The credit shall
17 be in an amount equal to 25 percent of the payments made to the outstanding
18 balance of the employee’s loan by the employer during the taxable year,
19 provided the amount of credit allowed for each qualified employee in each
20 taxable year shall not exceed \$5,000.00.

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

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

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

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

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

18 (3) is made after the death of the beneficiary or after the beneficiary
19 becomes disabled pursuant to subdivisions (q)(2)(C) and (m)(7) of 26 U.S.C.
20 § 72.

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

4 Sec. 7. EFFECTIVE DATES

5 This act shall take effect on July 1, 2020, except that Secs. 3–6 shall take
6 effect on January 1, 2021 and apply to returns filed for taxable year 2021 and
7 after.