

## **Student Loan Debt Relief Tax Credit Frequently Asked Questions (FAQs)**

**Question:** How do I receive the tax credit?

**Answer:** The tax credit is claimed on your Maryland income tax return when you file your Maryland taxes. If the credit is more than the taxes you would otherwise owe, you will receive a tax refund for the difference. For example, if you owe \$800 in taxes without the credit, and then claim a \$1,000 Student Loan Debt Relief Tax Credit, you will get a \$200 refund.

**Question:** What application errors could cause disqualification of my application?

**Answer:** The most frequent error MHEC encounters is incorrect lender documents.

**Question:** Is the State tax credit taxable at the Federal level?

**Answer:** We recommend that you consult your tax professional regarding any federal tax implications of the credit.

**Question:** If I incurred \$18,000 in student loan debt, and have incurred \$2,000 or more in interest, do I qualify?

**Answer:** If the maximum loan balance, including interest, of all your graduate/undergraduate student loans equals \$20,000 or more, and the current balance due totals \$5,000 or more, then your debt qualifies.

**Question:** Are Parents PLUS Loan plans eligible for the tax credit?

**Answer:** No. The debt must have been incurred by the applicant.

**Question:** Are Stafford loan balances eligible for the tax credit?

**Answer:** Yes. Private student loans are eligible as long as they were incurred by the applicant.

**Question:** Where does the Maryland Adjusted Gross Income (AGI) figure come from and what if I am married filing jointly?

**Answer:** The AGI comes from line 16 of Maryland Form 502, and you must include the full amount even if you are married filing jointly.

**Question:** What are some of the lender documents that are not considered sufficient?

**Answer:** Form 1098-E, and lender documents that do not have the lender's or borrower's name pre-printed on them are not sufficient.

**Question:** Do I have to be a college graduate to qualify?

**Answer:** No, but you must have incurred at least \$20,000 in graduate/undergraduate student loan debt and have at least a \$5,000 balance remaining, whether or not you earned a graduate/undergraduate degree.

**Question:** Do I have to be a Maryland taxpayer in the current year, and what if I recently moved to Maryland?

**Answer:** You must file 2020 Maryland state income taxes to take advantage of the tax credit.

**Question:** Do I need a transcript from all the schools I attended?

**Answer:** You need transcripts showing enrollment during the periods in which your graduate/undergraduate student loans were disbursed. Transcripts do not need to be official.

**Question:** What are my responsibilities after receiving the tax credit?

**Answer:** Under Maryland law, you must submit proof of payment to MHEC, showing that you used the tax credit for the purpose of paying down your qualifying student loan debt(s). If you do not provide this proof to MHEC within 2 years of the year you claimed the credit, the credit will be recaptured by the Maryland Comptroller, and you will be responsible for paying those taxes in a subsequent year.