

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 each year. 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 \$1,000 in taxes without the credit, and then claim a \$5,000 credit, you will receive a \$4,000 refund.

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: Do I have enough debt?

Answer: You need to have incurred at least \$20,000 in graduate/undergraduate student loan debt and have an outstanding balance of at least \$5,000 when the credit application is submitted.

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 account balances, including interest**, of all your graduate/undergraduate student loans total \$20,000 or more, and their remaining balances total \$5,000 or more, then you qualify.

Question: Are Parents PLUS Loan plans eligible for this credit or do the loans have to be taken out by the student?

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

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

Answer: Yes. Private student loans are also eligible.

Question: Do you have to be a college graduate?

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 you have to be a Maryland taxpayer in the current year, what if you have just moved to the state?

Answer: You must file 2018 Maryland State income taxes to qualify for the tax credit.

Question: Do you need a transcript from all the schools you've attended or just a final transcript?

Answer: You need transcripts showing enrollment during the periods in which the graduate/undergraduate student loans were disbursed.

Question: What are my responsibilities after I've received the credit?

Answer: Under Maryland law, you must submit proof to MHEC that you used the tax credit for the purpose of paying down your qualifying student debt(s). If you do not provide this proof to MHEC, within 2 years of the year for which you are claiming the credit, the credit will be recaptured by the Maryland Comptroller through your subsequent income taxes.