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: What application errors could cause delays or rejection?
Answer: The most frequent errors MHEC encounters are incorrect current loan balance due amounts (or attachments), and incorrect Adjusted Gross Income amounts (or attachments).

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 eligible.

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, lender documents that do not have the lender or borrower’s name pre-printed on them.

**Question:** Do I have to be already graduated from college?

**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 2019 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 have 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.