

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: 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. Do not prorate it.