

STAFF MEASURE SUMMARY

House Committee On Higher Education, Innovation, and Workforce Development

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Action Date: 04/20/15

Action: Do Pass And Be Referred To Revenue By Prior Reference

Meeting Dates: 03/18, 04/20

Vote:

Yeas: 5 - Gallegos, McKeown, Read, Reardon, Williamson

Nays: 4 - Hayden, Johnson, Nearman, Whisnant

Prepared By: Victoria Cox, Committee Administrator

WHAT THE MEASURE DOES:

Allows personal income taxpayers to subtract specified amounts paid as interest on qualified education loans from taxable income, subject to same income limitations applicable to federal education loan interest deduction. Limits qualified residence interest deduction for personal income taxpayers. Applies to tax years beginning on or after January 1, 2015. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Reduction in home ownership among college graduates due to student loan debt
- Addition of state deduction for interest paid on student loans
- Cap on mortgage interest deductions on properties over \$800,000 as offset
- Nexus, or lack thereof, between college loan debt and mortgage interest

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

Interest paid on qualified education loans is deductible from federal income taxes up to a limit of \$2,500 (or the amount of the interest actually paid) if the taxpayer's modified adjusted gross income falls below a maximum determined annually. House Bill 3342 establishes a state tax deduction for qualified education loan interest subject to the same income limitations. The measure also specifies that "If the federal itemized deductions include qualified residence interest as defined in section 163 of the Internal Revenue Code, there shall be added to taxable income the amount by which the amount of qualified residence interest exceeds \$35,750."