



SEN. GEORGE RUNNER (RET.)

VICE CHAIR
STATE BOARD OF EQUALIZATION
CALIFORNIA'S TAX BOARD

September 14, 2015

Governor Jerry Brown
ATTN: Michael R.O. Martinez, Deputy Legislative Affairs Secretary
Governor's Office, Legislative Unit
State Capitol, First Floor
Sacramento, CA 95814

RE: SB 150 (NGUYEN/HUFF) - PIT TAX LAW: STUDENT LOAN DEBT FORGIVENESS - SUPPORT -

Dear Governor Brown:

I write to request your signature on Senate Bill 150, which will remove state tax liability on forgiven federal student loan debt for students who choose to forgo earned college credits when their college or university closes.

This bill was introduced after Corinthian Colleges filed for bankruptcy and closed their campuses last month, leaving students liable for student loan debt without the option of completing their degree program. Approximately 13,000 Californians were affected by the closing of the Corinthian campuses.

Under current law, when a university or college closes, students may choose to give up the credits they earned in order to have their federal student loan debt forgiven by the federal government or they can transfer their credits to another institution of higher learning and repay their student loans.

Unfortunately, students who opt for loan forgiveness are penalized because under federal and state tax laws the discharged debt is treated as income, creating a taxable liability. Therefore, if a student applies for "closed school" debt relief or is granted debt relief as a victim of fraud, he or she must pay both federal and state income tax on the discharge benefit received.

SB 150 will exclude from gross income the amount of student loan indebtedness discharged on or after January 1, 2015 in order to help California students affected by this massive closure. Although this bill will only grant relief on the state portion of their tax obligation, it will protect students who would incur a financial hardship from having to pay taxes on phantom income earned as a result of student loan debt forgiveness. I am pleased to support the bill and respectfully request your signature.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. Runner".

GEORGE RUNNER
1st District