

POINT/COUNTERPOINT: A financial pardon with a spirit of ‘forgive and forget,’ or a catastrophic warning of ‘here comes the tax man’?

For years, national policymakers have been exploring ways to resolve the enormity of outstanding student loan debt while also trying to alleviate its financial burden on overwhelmed borrowers. Some have even called for a full wipeout.

That time has now arrived, in part, as President Joe Biden and his administration begin rolling out this latest piece of the American Rescue Plan.

Biden’s announced student loan forgiveness will cancel up to \$10,000 in debt for individuals who earn less than \$125,000 a year, or less than \$250,000 a year for couples. If borrowers also received a Pell Grant, it would cancel up to \$20,000 for those who also meet the income requirements. Borrowers with federal Parent PLUS loans are also eligible for forgiveness given they meet the income requirements.

The forgiveness only covers federally backed loans. Student debt from private loans is not included.

President Biden also extended the pause for debt repayment to end on Dec. 31, 2022, and announced a new income-based repayment plan for loans. This new plan would allow borrowers to repay their debt by basing monthly payments off their discretionary income — allowing lower payments, and for some, no payments.

Those in favor of Biden’s plan for forgiving student debt argue that it would free up younger generations to invest in their financial future, provide a moderate boost to the economy, and help address racial and socioeconomic inequality.

Opponents contend that the cost would be much higher than the benefit to the economy, would disproportionately benefit higher-income Americans, and would only offer a temporary reprieve before total outstanding student debt rose again.

There’s also another wrinkle for benefitting borrowers to consider: This piece of the American Rescue

Plan won’t be subject to federal income tax, at least for now. Until the end of 2025, Congress has said that the U.S. government will not consider canceled student loan debts to be taxable income.

However, in some states, borrowers may have to pay state income tax on their canceled loan debt. Those states include Arkansas, Minnesota, Mississippi, North Carolina and Wisconsin.

Fortunately, Illinois and Missouri are not among those states taxing the forgiven student loan debt.

Following President Biden’s announcement, responses came in from both sides of the aisle:

U.S. Sen. Dick Durbin (D-Ill.): “Tens of millions of Americans are plagued by student loan debt in pursuit of a quality education. Today’s announcement by President Biden is a crucial step to enable low- and middle-income borrowers—especially communities of color—to eliminate their debt so they can buy a home, start a business, save for emergencies, and fully participate in our economy.”

U.S. Sen. Tammy Duckworth (D-Ill.): “This is welcome relief for millions of borrowers across the nation who are dealing with unreasonable amounts of student debt. I’m glad the administration heeded our request to get this done.”

U.S. Rep. Cori Bush (D-Mo., 1st District): “President Biden is canceling up to \$20,000 of federal student loan debt. This will undoubtedly transform lives...Grateful for the organizers, activists, and advocates who never let up in the push for student debt cancellation. This victory is because of you.”

U.S. Rep. Mary Miller (R-Ill., 15th District): “Today, Joe Biden announced a \$300 billion taxpayer-funded bailout for leftist colleges and universities that prey upon young people by selling them worthless ‘humanities’ degrees so they can become foot soldiers in the Marx-

ist revolution destroying America. In the midst of the Biden Recession, Joe Biden is using working class taxpayers to pay off his donors and voters at a time of historic debt, and record inflation.”

U.S. Rep. Darin LaHood (R-Ill., 18th District): “President Biden has no executive authority to ‘cancel’ student loan debt. Student loans won’t be cancelled; they will be transferred to hardworking taxpayers. In the middle of an economic crisis, the President wants working and middle-class families hit hardest by inflation to bailout billions of dollars in student loans. It’s a slap in the face to those who sacrificed to save for college, worked hard to pay off their loans, volunteered to serve in our Armed Forces, or chose a different career path to avoid debt.”

U.S. Sen. Roy Blunt (R-Mo.): Blunt blasts the idea of student loan forgiveness, saying it’s illegal. He also claims that loan forgiveness would disproportionately benefit those who can pay back their debt. “This is evidenced by the fact that the top 40 percent of households by income hold almost 60 percent of the student loan debt, while the bottom 40 percent hold less than 20 percent of the outstanding debt,” he says.

And, from the Southern Illinois University Edwardsville community:

Chancellor Dr. James T. Minor: “This announcement represents an opportunity to restore people’s hope and confidence that a college education is within their reach. The federal student loan

program was conceived to provide access to higher education, not to represent a burden for those who are seeking to improve their lives by earning a college degree.”

Charles Hubbs, graduate student from Millstadt, Ill.: He sees the pros of forgiveness, but knows that it might hold consequences later: “Personally, I have student loans. I got about \$20,000 in the red from my undergrad... At first, I was very excited to hear that that could potentially be wiped away. However, I understand it doesn’t just go away and there could be ramifications down the road.”

Justin Pierman, senior student from Lockport, Ill.: He believes the forgiveness also serves as a way to make things a bit more on par with other countries similar to the U.S. that don’t have as much student debt. “I have a few friends in Canada that go to college and they have similar degrees to mine, and they pay even a quarter of what we pay here. So, I feel like it’s less forgiveness and more evening out the playing field.”

Brady Bergman, graduate student from Mount Sterling, Ill.: He believes it can give people more opportunities to continue their degree. “I think it’s good for everybody. I had a lot of student loans in my undergrad. Luckily, I got a tuition waiver for grad school, but if I didn’t, my undergrad loans would have been too much to come to grad school. I think it really opens doors for a lot of people who were in that position that maybe didn’t get a tuition waiver, so they can continue their education.”

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APRIL: Destination HERE: The Business of Tourism in Southwestern Illinois	OCTOBER: Build It: Commercial Construction Contractors, Engineers & Architects
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