

Proposal: Overhauling Maine's Student Loan Relief Program

Recent graduates in Maine carry an average of \$33,000 in student loan debt, a burden that often prevents them paying their bills or affording a mortgage, among other things. Maine's current student debt relief tool – the Maine Educational Opportunity Tax Credit (“Opportunity Maine”) – is not meeting the needs of these students, having become a cumbersome, bureaucratic tax benefit that is difficult to understand and take advantage of, according to a working group led by Senator Matthew Pouliot (R-Kennebec). Senator Pouliot recently proposed legislation to dramatically simplify the program.

Consistent with the goals of that legislation, Governor Mills is proposing \$55 million in ongoing General Fund dollars to dramatically overhaul the program and transform it into a powerful, nation-leading tool to retire student debt for graduates and help employers to draw people from all walks of life to live and work in the State of Maine.

Rather than limit the program to certain degree types, fields of study, and/or job titles, like the current program does, this overhaul will broaden eligibility so that those who graduate with student debt – regardless of what type of degree they have or where they graduated or what type of work they do now – will be eligible for up to \$25,000 of debt relief over the course of their lifetime, so long as they have a job and they make Maine their home.

Graduates claim this benefit by itemizing any student loan payments made in any given year on their annual tax return, beginning with any payments made on or after January 1, 2022. A refundable tax credit is issued dollar for dollar for all student loan payments up to \$2,500 per year with a maximum total lifetime benefit of \$25,000. The refundable tax credit is first applied against any tax liability, with the remainder issued as part of the graduate's annual refund check.

Any existing or new full-time Maine resident will be eligible. Participants must have earned an associate, bachelor's, master's, and/or doctorate degree since 2007, and must work at least part-time, which is defined as the minimum wage for at least 936 hours, amounting to approximately \$12,000 in annual earned income. Provisions have been made for current participants to carryover any accrued tax benefit into the reformed program.

If enacted, this reform is expected to retire more than \$85 million in student loan debt through Fiscal Year 2023, with uptake estimated to increase by 200 percent. Approximately 40,000 individuals are expected to become newly eligible for the program over the next two years alone, making it more possible for them to stay in and/or relocate to Maine as a result of this nation-leading model for combatting student loan debt and attracting workers to Maine companies.