Philadelphia School Income Tax - Treatment of Forgiveness of Student Loan Debt

Student loan forgiveness does not trigger SIT liabilities

President Biden's student debt relief plan includes loan forgiveness of up to $20,000. Under the American Rescue Plan Act (ARPA) Sec. 9675, forgiveness of student loan debt between 2021 and 2025 is excluded from federal taxable income.

Residents of the School District of Philadelphia are subject to the Philadelphia School Income Tax on unearned income from the ownership, lease, sale, or other disposition of property, such as dividend income, royalties, and some types of interest income. Since student loan forgiveness is income from the forgiveness of a liability, and not property, it will not be taxable for School Income Tax purposes.

Updated 20220915