By Supervisors Clancy, Martinez, Burgelis, Alexander, Rolland, Taylor (5), and Martin

File No. 22-1148

A RESOLUTION

Urging the State of Wisconsin to not tax student debt forgiveness and relief

WHEREAS, since higher education became widely available to Americans after the Second World War, a college degree has enabled many Americans to better themselves personally and professionally, contributing to the United States being among the most well-educated countries with among the most skilled workforces, both attributes being among the country's comparative advantages; and

WHEREAS, according to the *Visual Capitalist* February 3, 2021 web article, "The Rising Cost of College in the U.S.," since 1980, college tuition and fees have increased by 1,200 percent, while the consumer price index, the measure of inflation, has only increased by 236 percent; and

WHEREAS, the increase in college costs have occurred primarily because:

- States have reduced the percentage of their support for public higher education
- Colleges have increased their levels of student support services and grown their administrations, thereby increasing costs, buoyed by growing federal student loan availability

; and

WHEREAS, in its December 2020 study, "Falling Behind?: The State of Wisconsin's Public Universities and Colleges," the Wisconsin Policy Forum found:

- "As recently as 2010, state tax or General Purpose Revenue funding was the largest source of UW System revenues but it since has been overtaken by both tuition and federal revenues. The UW has fallen from the state's second highest GPR program in 1992 to its fifth today. State aid to the WTCS [Wisconsin Technical College System] is also down since 2000 after netting out funds for property tax relief."

- "Between 2001 and 2011, in-state undergraduate tuition more than doubled at every four-year UW campus and rose by 141% at UW-Madison. Yet at UW

> campuses since then in-state undergraduate tuition increases largely have been frozen at 2013 prices."

; and

WHEREAS, the Federal Reserve Bank of New York in its July 2015 study, "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs," the authors concluded, "[W]e find that even when universities price-discriminate, a credit expansion will raise tuition paid by all students. . ." by approximately 60 cents per dollar increase in subsidized loans, and 15 cent increase per dollar of unsubsidized loans; and

WHEREAS, in its August 2021 study, "The Cost of Excess: Why Colleges and Universities Must Control Runaway Spending," the American Council of Trustees and Alumni reported "The aggregate data [from the U.S. Department of Education National Center for Education Statistics] reveal a clear pattern: Institutional spending continues to rise while contributing little to graduation rates. Moreover, investment in instructional staff – particularly tenured or tenure-track professors – has been overshadowed by increases in administrative staff, namely well-paid, professional employees."; and

WHEREAS, in the late 2019 Federal Reserve Bank of St. Louis study, "Is College Still Worth It? The New Calculus of Falling Returns," the authors found:

> "Among families whose head is White and born in the 1980s, the college wealth premium of a terminal four-year bachelor's degree is at a historic low; among families whose head is any other race and ethnicity born in that decade, the premium is statistically indistinguishable from zero. Among families whose head is of any race or ethnicity born in the 1980s and holding a postgraduate degree, the wealth premium is also indistinguishable from zero. Our results suggest that college and postgraduate education may be failing some recent graduates as a financial investment."

; and

WHEREAS, society has as a result sold its young people a bill of goods, telling young people, particularly Millennials and Zoomers (Generation Z) to pursue higher education, go into debt, and everything would work itself out upon graduation; while in reality graduates have entered the workforce underemployed and underpaid, with crippling debt the size of a mortgage, rendering debtors unable to or postponing saving for a property down-payment, saving for retirement, marrying, and having children; and

WHEREAS, according to 2021 Federal Reserve Bank of New York data, there are around 784,500 Wisconsinites with outstanding student loan balances with an average debt of $31,200, six percent of whom are 90 or more days past due, including those in default; and

WHEREAS, on August 24, 2022, President Joe Biden announced a plan to cancel $10,000, and in some cases $20,000, of student debt for low and middle-income borrowers, including the following:

- Debt cancellation for borrowers whose income is no more than $125,000 for individuals and $250,000 for married couples
  - $10,000 for non-Pell Grant recipients
  - $20,000 for Pell Grant recipients

- Extending the COVID-19 Pandemic pause on federal student loan repayment one more final time through December 31, 2022

- Reforming the Income-Based Repayment Program by:
  - Reducing the percentage of a borrower's monthly income under income-based repayment subject to monthly repayment from 10 to 5 percent
  - Ensuring no borrower earning 225 percent of the federal poverty level, or about the fulltime earnings of an individual wage
  - Forgive original loan balances of less than $12,000 after 10 years rather than 20 with the intent to ease the burden of community college borrowers
  - Ensuring no borrower's loan balance will grow based on accrued interest so long as monthly payments are continually made

- Ensuring payments under the Public Service Loan Forgiveness (PSLF) program are properly counted

- Taking unspecified measures to curtail the growing expense of higher education

; and

WHEREAS, President Biden's proposal could provide relief for up to 43 million borrowers and the United States Department of Education estimates around 90 percent of the relief will go to those Americans earning less than $75,000 a year; and

WHEREAS, the Biden proposal would advance racial equity as Black borrowers are more likely to borrow, more likely to borrow more, and more likely to receive Pell Grants than whites, and subsequently will overwhelmingly benefit from debt relief; and

WHEREAS, under the American Rescue Plan Act, student debt relief will not be treated as taxable income for federal income tax purposes and will help enable young people to get married, buy homes for themselves, start businesses, and save for retirement; and

WHEREAS, many states conform their tax codes with the federal Internal Revenue Code for simplicity, however the Wisconsin tax code last conformed with the Internal Revenue Code on December 31, 2020 and therefore is subsequently out of date, leaving Wisconsinites under present law subject to pay taxes on their federal student loan relief as it will be considered a taxable event; and

WHEREAS, as reported in the August 30, 2022 *Milwaukee Journal Sentinel* article, “Wisconsin borrowers: Prepare to pay state income taxes on forgiven student loan debt,” some members of the Wisconsin legislature want to be punitive to student debtors who will enjoy a measure of debt relief, and those members have publicly stated they would oppose removing the tax, while Governor Tony Evers has directed the Wisconsin Department of Revenue to prepare a provision in the next State budget to have the Wisconsin Statutes conform with the federal Internal Revenue Code relating to student loan relief; and

WHEREAS, the taxation of student debt relief, especially of Pell Grant recipients who only received such grants due to significant financial need, is regressive and at odds with individuals trying to better themselves and advancing racial equity; and

WHEREAS, while President Joe Biden’s student debt relief is an imperfect solution to a larger problem, but one which nonetheless helps move society forward, allowing people to focus on their lives and not debt, and the State of Wisconsin ought not further penalize a group of primarily young people, and further ought to not let the perfect solution be the enemy of the good; and

WHEREAS, the Committee on Intergovernmental Relations, at its meeting of November 28, 2022, recommended adoption of File No. 22-1148 (vote 3-1); now, therefore,

BE IT RESOLVED, Milwaukee County hereby urges and calls upon the State of Wisconsin to not penalize Wisconsinites subject to federal student debt relief by taxing relief as income, and have Wisconsin’s revenue code conform with the federal Internal Revenue Code as it relates to not treating student debt relief as a taxable event; and

BE IT FURTHER RESOLVED, Office of Government Affairs staff is authorized and requested to communicate the contents of this resolution to the Wisconsin Governor and State policymakers, and support legislation that achieves the criteria outlined in this resolution.

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