

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 354

To amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans.

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IN THE SENATE OF THE UNITED STATES

Mr. STEVENS (for himself and Mr. MURKOWSKI) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend section 108(f) of the Internal Revenue Code of 1986 to clarify the tax treatment of discharges of indebtedness under certain student loans.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF DISCHARGES OF INDEBTED-**  
4 **NESS UNDER CERTAIN STUDENT LOANS.**

5 (1) IN GENERAL.—Paragraph (1) of section 108(f)  
6 of the Internal Revenue Code of 1986 (relating to student  
7 loans) is amended—

8 (1) by inserting “(A)” after “discharged”, and

1           (2) by inserting before the period at the end the  
2 following: “, or (B) in the case of a loan made by  
3 a State (or from funds provided by a State) which  
4 had no accredited professional schools for the study  
5 of law or medicine on the date the loan was made,  
6 if the individual resided for a certain period of time  
7 in the State after completion of the individual’s at-  
8 tendance at the educational organization with re-  
9 spect to which the loan was made”.

10       (b) EFFECTIVE DATE; WAIVER OF STATUTE OF LIM-  
11 ITATIONS.—

12           (1) EFFECTIVE DATE.—The amendment made  
13 by subsection (a) shall apply to discharges of indebt-  
14 edness made on or after January 1, 1987.

15           (2) WAIVER OF STATUTE OF LIMITATIONS.—In  
16 the case of any taxable year ending before the date  
17 of the enactment of this Act—

18           (A) the period for claiming a credit or re-  
19 fund of any overpayment of tax resulting from  
20 the application of the amendment made by sub-  
21 section (a) shall not expire before the date  
22 which is 1 year after the date of the enactment  
23 of this Act; and

24           (B) if, after the application of subpara-  
25 graph (A), credit or refund of any overpayment

1 of tax resulting from the application of the  
2 amendment made by subsection (a) is prevented  
3 at any time before the close of such 1-year pe-  
4 riod by the operation of any law or rule of law  
5 (including res judicata), credit or refund of  
6 such overpayment (to the extent attributable to  
7 the application of the amendment made by sub-  
8 section (a)) may, nevertheless, be made or al-  
9 lowed if claim therefore is filed before the close  
10 of such 1-year period.

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