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The Tax Bomb Coming for IDR Borrowers

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PROTECTBORROWERS.ORG

About Protect Borrowers

Protect Borrowers (formerly Student Borrower Protection Center) is a nonprofit organization led by a team of experts, lawyers, and advocates fighting to build an economy where debt doesn't limit opportunity. We investigate financial abuses, take predatory companies to court, and push for policies to protect working people from debt traps. We aim to deliver immediate relief to families while building power, driving systemic change, and fighting for racial and economic justice.



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Executive Summary

Under the Higher Education Act, federal student loan borrowers earn the right to have their remaining balances cancelled after making between 20 to 30 years of payments on an Income-Driven Repayment (IDR) plan. The promise of IDR cancellation has always been a critical aspect of the federal student loan safety net, aimed at ensuring that student loan debt is not a lifelong obligation. However, for decades, IDR cancellation has always come with a catch—a massive tax bill. In response, in the American Rescue Plan Act of 2021, Congress exempted cancelled federal student debt, including balances cancelled under IDR plans, from being subject to federal income tax. Unfortunately, Congress allowed this critical protection to expire on December 31, 2025. As a result, starting in the 2026 tax year, borrowers who earn IDR cancellation will have their cancelled debt treated as taxable income.

IDR cancellation can relieve some of the lowest-income student loan borrowers of debts they simply could not afford. **Most borrowers who earn cancellation under IDR made less than \$50,000** per year in 2022, or about \$60,000 in 2026 after adjusting for inflation. The average balance cancelled under IDR is \$49,697, often more than the amount borrowers initially took out due to the accrual of interest charges over and above borrowers' monthly income-driven payments. Treating cancelled student debt as income could double or even triple tax bills for working families who are overwhelmingly low-income and have already borne the financial burden of paying their student loans for over 20 years. At the exact moment when borrowers should be receiving long-awaited relief, they will be hit with an unprecedented tax bomb, and many will be forced to trade their student loan debt for tax debt. Congress must act.

We analyzed 2026 tax guidelines and student loan data from the U.S. Department of Education (ED) to calculate the impacts of taxing cancelled debt for borrowers. **We estimate that over the next decade, between 2 to 3 million working- and middle-class Americans will be hit with an unprecedented tax bomb for cancelled student debt nationwide.** We found the following:

- **The average married borrower who earns IDR cancellation and has two dependents could see their tax bill more than triple and pay an additional \$7,206.** Normally, such a borrower would receive a tax *credit* of \$3,102; if their cancelled student debt is treated as income, it would cost them \$7,206 in lost credits and additional taxes, while only earning \$60,000 per year to support a household of four.

- **The tax increases faced by borrowers who earn IDR cancellation can range from roughly an additional \$6,000 to nearly \$12,000 depending on their income, tax status, and family size.** Many such families could see their tax bills double or even triple. See Figures 2 through 4 for a tabulation of tax impacts by income.
- **Lower-income families with children could see the biggest spikes in their tax bills.** A typical family of four earning just \$40,000 a year would usually receive a tax *credit* of \$8,854, but if their cancelled debt is treated as income, it would cost them \$10,558 in lost credits and additional taxes. Their tax liability would grow to *more than 11 times* what it usually is.
- **Single borrowers without children could see about 1 out of every 4 dollars of their salary go to federal taxes, after receiving IDR cancellation.** These borrowers would pay the highest taxes at each income tier: a single borrower earning \$40,000 would pay over \$10,000 in federal taxes; a single borrower earning \$60,000 would pay over \$15,000 in federal taxes; and a single borrower earning \$80,000 would pay nearly \$20,000 in federal taxes. After accounting for FICA and state taxes, these borrowers could effectively see their take-home income cut nearly in half.
- **Borrowers in the South will see the greatest increase in their taxes as a result of receiving IDR cancellation, and have their tax bills double or triple on average.** This is largely because borrowers in the South typically have larger balances and lower incomes than the national average. See Appendix A for a full list of states by average IDR cancellation amount.
- **The states where the IDR tax bomb will increase borrowers' taxes the most are Louisiana, Mississippi, Arkansas, West Virginia, Oklahoma, and New Mexico.** Married borrowers with two dependents, earning the median income and average IDR cancellation amount in these states, could see their tax bills roughly *triple* on average, and pay between \$5,000 to nearly \$8,000 in additional taxes and lost credits. See Figure 1 for a tabulation of the top 10 states where such borrowers will have their tax bills increase the most, and Appendices B and C for a 50-state tabulation of tax increases for married and single borrowers.

Figure 1. Top 10 states by projected tax increases.

Rank	State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%)*
1	Louisiana	Credit of \$2,777	Owes \$4,892	+ \$7,668	More than triple (349.5%)
2	Mississippi	Credit of \$3,383	Owes \$3,919	+ \$7,303	More than triple (340.6%)
3	Arkansas	Credit of \$2,406	Owes \$4,424	+ \$6,830	More than triple (316%)
4	West Virginia	Credit of \$2,838	Owes \$3,045	+ \$5,883	Nearly triple (282.5%)
5	Oklahoma	Credit of \$1,122	Owes \$4,762	+ \$5,885	More than double (279.5%)
6	New Mexico	Credit of \$922	Owes \$5,010	+ \$5,932	More than double (270.6%)
7	Alabama	Credit of \$1,061	Owes \$4,359	+ \$5,420	More than double (262.3%)
8	Kentucky	Credit of \$1,606	Owes \$3,646	+ \$5,252	More than double (261%)
9	South Carolina	Credit of \$378	Owes \$6,005	+ \$6,383	More than double (258.7%)
10	Missouri	Credit of \$469	Owes \$5,737	+ \$6,206	More than double (257.9%)

* Note: The “Average New Income Tax Liability as Share of Previous (%)” column measures the increase in upfront tax liability incurred from cancelled debt being treated as taxable income, before the application of any eligible tax credits. The “tax outcome” columns measure outcomes after applying tax credits. This table measures tax changes for married borrowers with two dependents earning the state median income and average IDR cancellation. For additional projections, see the Findings section.

- **The 2 to 3 million borrowers who could become eligible for cancellation and potentially face an IDR tax bomb over the next 10 years are roughly equal to the population of Kansas, Mississippi, New Mexico, Idaho, or Nebraska.** These borrowers would likely see their tax bill double or triple. Moreover, nearly 13 million Americans, totaling almost half of all federal student loan borrowers in repayment, are enrolled in IDR plans and making progress toward potential cancellation.
- **The states with the greatest number of borrowers who will be subject to a tax bomb over the next 10 years are Texas (up to 275,000), California (up to 271,000), Florida (up to 221,000), New York (up to 172,000), and Ohio (up to 135,000).** All figures are rounded; see Figure 8 for a map of this figure for all 50 states and D.C., and Appendix D for a tabulation of the underlying data.
- **The states with the most borrowers who will be subject to a tax bomb as a share of their population are the District of Columbia, Georgia, Ohio, Mississippi, and South Carolina.** See Figure 10 for a list of top 10 states for this measure, and Appendix D for a tabulation of the underlying data.

Background

Under the Higher Education Act, federal student loan borrowers enrolled in a qualifying Income-Driven Repayment (IDR) plan are entitled to the cancellation of their remaining balance after making eligible payments for 20 to 25 years.¹ Borrowers enrolled in the new Repayment Assistance Plan (RAP), established by the One Big Beautiful Bill Act (OBBBA), are entitled to cancellation after making eligible payments for 30 years.²

Currently, nearly 13 million Americans are enrolled in IDR, which allows borrowers to access lower monthly payments that are proportional to their income.³ IDR enrollees typically have low incomes.⁴ **As of 2022, two-thirds of Americans who earned cancellation through IDR made less than \$50,000 a year, half had no bank account or other non-retirement savings, and over a third had no retirement savings.**⁵ IDR enrollees have likely foregone buying a home, delayed starting a family, deferred payments on other bills or loans, borrowed from family or friends, carried a credit card balance they otherwise would not have, or gone without food, medicine, or other necessities, in order to try to pay their student loans.⁶ By the time most IDR enrollees earn cancellation, they have endured significant financial hardship for a majority of their adult lives.

“Treating such cancelled debt as taxable income will hit many borrowers with an unprecedented tax bomb and force them to replace their debt to the U.S. Department of Education with debt to the Internal Revenue Service (IRS).”

The promise of IDR cancellation has always been a critical aspect of the federal student loan safety net, aimed at ensuring that student loan debt is not a lifelong obligation. However, for decades, IDR cancellation has always come with a catch—a massive tax bill.⁷ In response, in 2021, Congress passed the American Rescue Plan Act, which exempted cancelled federal student debt, including

balances cancelled under IDR plans, from being subject to federal income tax.⁸ Unfortunately, Congress allowed this critical protection to expire on December 31, 2025, when they failed to extend the tax exemption for IDR cancellation in the OBBBA. As a result, starting in 2026, **borrowers who manage to reach the milestone of student loan cancellation will face a tax bomb.** For most borrowers put in this position, the balance they will be taxed on could be more than the original loan they took out, since IDR enrollees typically see their balances increase over time due to interest accrual.⁹ As of 2025, the average outstanding balance cancelled under IDR was nearly \$50,000, close to most of their entire annual income.¹⁰ **Treating such cancelled debt as taxable income will hit many borrowers with an unprecedented tax bomb and force them to replace their debt to the U.S. Department of Education with debt to the Internal Revenue Service (IRS).**

A History of the Taxation of Student Loan Cancellation

Prior to legislative changes passed by Congress in 2017 and 2021, cancelled federal and private student loan debt was generally subject to federal income tax, with some exceptions.¹¹ Debt cancelled under Public Service Loan Forgiveness (PSLF) was and remains exempt from federal income tax, as is debt cancelled under certain school related discharge programs, such as Closed School Discharge, False Certification, and Unpaid Refund Discharges.¹²

In the Tax Cuts and Jobs Act of 2017 (TCJA), Congress exempted loans cancelled due to death or permanent disability from federal taxation, for a period lasting from December 31, 2017 to December 31, 2025.¹³ In the American Rescue Plan Act of 2021 (ARPA), Congress expanded this tax exemption to include all cancelled federal student debt, including loans cancelled under IDR plans.¹⁴ Over the following years, the Biden Administration took significant actions to fix systemic failures and rein in servicing abuses that had deprived millions of Americans of their right to cancellation under federal law. For decades, federal student loan servicers have made widespread accounting and payment tracking errors that denied or improperly postponed cancellation for IDR enrollees.¹⁵ The Biden Administration made a one-time IDR account adjustment that re-counted borrowers' qualifying payments toward loan cancellation for all Direct loans and Federal Family Education Loans (FFEL) held in the Department's portfolio. As a result, more than 3.6 million borrowers are at least three years closer to achieving IDR cancellation.¹⁶

However, the comprehensive federal tax exemption established in the TCJA and ARPA only lasted until December 31, 2025.¹⁷ The OBBBA, passed earlier the same year, permanently exempted debts cancelled due to death and disability from taxation, but it did not extend the same protection for IDR enrollees.¹⁸ As a result, it will force significant tax bills upon many low-income borrowers enrolled in these plans, starting in the 2026 tax year.

About the Insolvency Exception

Low-income borrowers can theoretically avoid being subjected to tax increases due to cancelled debt if they can demonstrate that they are insolvent by showing that their financial liabilities exceed their assets. However, few people are aware of the insolvency exception, and the process for claiming it is expensive, cumbersome, risky, and simply not accessible to the vast majority of borrowers who already cannot afford additional costs in the form of an increased tax bill.¹⁹ Assisting taxpayers with cancelled student debt issues has also historically been out of scope for most Volunteer Income Tax Assistance (VITA) and other low-income tax preparation programs.²⁰ A successful insolvency declaration for tax purposes may require borrowers to retain independent and licensed appraisers and tax preparers, which can cost hundreds to thousands of dollars.²¹ Given the expense and inaccessibility of this process, many borrowers would likely not be able to successfully file for insolvency and be forced to bear a significant tax bill instead.

Findings

We calculated the additional costs that student loan borrowers will bear as a result of cancelled student loan debt being treated as taxable income. We created projections for how much borrowers will pay at income tiers of \$40,000, which represents a working-class, lower-income family; \$60,000, which is more than what most IDR cancellation recipients earn;²² and \$80,000, which is approximately the median income of a bachelor's degree holder.²³ For each income tier, we modeled tax scenarios based on if the borrower is a single filer with no dependents, a single parent who files as head of household with two dependents, or a married joint filer with two dependents. Across all scenarios, we calculated the additional tax costs for borrowers receiving the national average IDR cancellation amount (\$49,697).²⁴

Most IDR recipients are realistically modeled by the \$40,000 or \$60,000 tax projection. However, to illustrate how treating cancelled debt as income will impact states differently, we also projected the tax impacts for borrowers earning a state's median income, who receive a state's average IDR cancellation amount, in each of the 50 states. For each state, we model the tax impacts for a single-parent who files as head of household with two dependents, and a married joint filer with two dependents.

Finally, we projected the number of Americans who will see their tax bills double or triple as a result of taxing cancelled student loan debt, both at the national and state level, over the next 10 years.

National Tax Bomb Impacts by Borrower Income Tier

"... the lower a borrower's income, the more their taxes will increase as a result of receiving IDR cancellation."

Our projections find that the lower a borrower's income, the more their taxes will increase as a result of receiving IDR cancellation. Tax increases are also particularly pronounced for parents, who rely on the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) to support their

children or dependents. Under normal circumstances, these credits allow some of the lowest-income families to receive a tax refund rather than a bill at the end of filing season. When parent borrowers have their IDR-cancelled debt treated as taxable income, they may lose eligibility altogether for the EITC, and their tax liability could increase so substantially that they now owe a five-figure tax bill after filing.

A married borrower who heads a working-class household and earns just \$40,000 a year could see their tax liability grow more than 11 times.²⁵

This borrower would typically have a tax credit of \$8,854, but if their cancelled debt is treated as income, it could cost them nearly \$11,000 in additional taxes and lost credits. A single parent borrower with two dependents earning \$40,000 could see their tax liability grow more than five times, and pay nearly \$10,000 in additional taxes and lost credits. Even a single filer with no dependents could see their tax liability more than quadruple—paying over \$8,000 in additional taxes and lost credits. Specifically, they would owe \$10,525 in taxes on a \$40,000 income, depressing their take-home income to well below \$30,000 after accounting for FICA taxes.

Note: When Americans pay taxes, the IRS first calculates their *tax liability* based on a person's income and established income brackets. However, a person's *tax outcome* is often less than the tax liability, or even a net positive, because people are eligible for tax credits. In our tables, we show a borrower's anticipated *tax outcome*, which accounts for both their liability and credits, and the change in their anticipated *tax liability*, which does not include tax credits but shows how treating cancelled debt as income can drastically increase their tax costs.

Figure 2. Tax bomb impact projections for borrowers earning \$40,000.²⁶

Household	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	New Income Tax Liability as Share of Previous (%)
Single borrower, no dependents	Owes \$2,320	Owes \$10,525	+ \$8,205	More than quadruple (453.7%)
Single parent, two dependents	Credit of \$6,988	Owes \$2,906	+ \$9,894	More than five times (547.2%)
Married parent, two dependents	Credit of \$8,854	Owes \$1,704	+ \$10,558	More than 11 times (1,151.6%)

Most IDR recipients earn less than \$60,000 a year.²⁷ Married borrowers with two dependents earning this income make less than 185 percent of the federal poverty level for their household.²⁸ They would typically have a tax credit of \$3,102, but if their cancelled debt is treated as income, they could pay over \$7,000 in additional taxes and lost credits, and their tax liability would more than triple. Similarly, both single-parent borrowers and single filers without dependents would pay between \$8,000 to nearly \$11,000 in additional tax costs, and see their tax liability more than triple.

Figure 3. Tax bomb impact projections for borrowers earning \$60,000.²⁹

Household	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	New Income Tax Liability as Share of Previous (%)
Single borrower, no dependents	Owes \$4,720	Owes \$15,303	+ \$10,583	More than triple (324.2%)
Single parent, two dependents	Credit of \$752	Owes \$7,321	+ \$8,073	More than triple (321.3%)
Married parent, two dependents	Credit of \$3,102	Owes \$4,104	+ \$7,206	More than triple (334.8%)

Finally, the median salary of a bachelor's degree holder is \$80,236, and borrowers who earn approximately this income and have their debt cancellation taxed could see their federal taxes double.³⁰ Across the board, borrowers would pay between nearly \$6,000 to \$12,000 in additional taxes and lost credits. A married borrower with two dependents earning \$80,000 would owe over \$6,500 in taxes, a single parent borrower would owe nearly \$12,000 in taxes, and a single filer without dependents would owe *nearly \$20,000 in taxes*.

Figure 4. Tax bomb impact projections for borrowers earning \$80,000.³¹

Household	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	New Income Tax Liability as Share of Previous (%)
Single borrower, no dependents	Owes \$8,220	Owes \$19,861	+ \$11,641	More than double (241.6%)
Single parent, two dependents	Owes \$1,648	Owes \$11,721	+ \$10,073	More than double (266.6%)
Married parent, two dependents	Owes \$540	Owes \$6,504	+ \$5,964	More than double (220.7%)

Borrowers will not be able to afford these tax increases. Half of borrowers who had their loans cancelled under IDR have *no* bank account or non-retirement savings, and over 80 percent have less than \$5,000 saved.³² The tax increases for borrowers who are single parents or lead households could wreak financial havoc upon millions of working families. Single borrowers without children could see about 1 out of every 4 dollars of their income go to federal taxes after receiving IDR cancellation.³³ After accounting for Social Security, Medicare, and state income taxes, this could cut a single borrower's income nearly in half.³⁴ Saddling borrowers who have spent 20 years or more paying down their debt on an IDR plan with a five-figure tax obligation will stretch many Americans' finances to the breaking point and force them to trade one debt balance for another.

State Tax Bomb Impacts by Median Income and Average IDR Cancellation Amount

Most borrowers who earn cancellation under IDR make less than \$60,000 a year, and are modeled by the income projections above.³⁵ However, to illustrate how taxing cancelled debt will affect borrowers in different

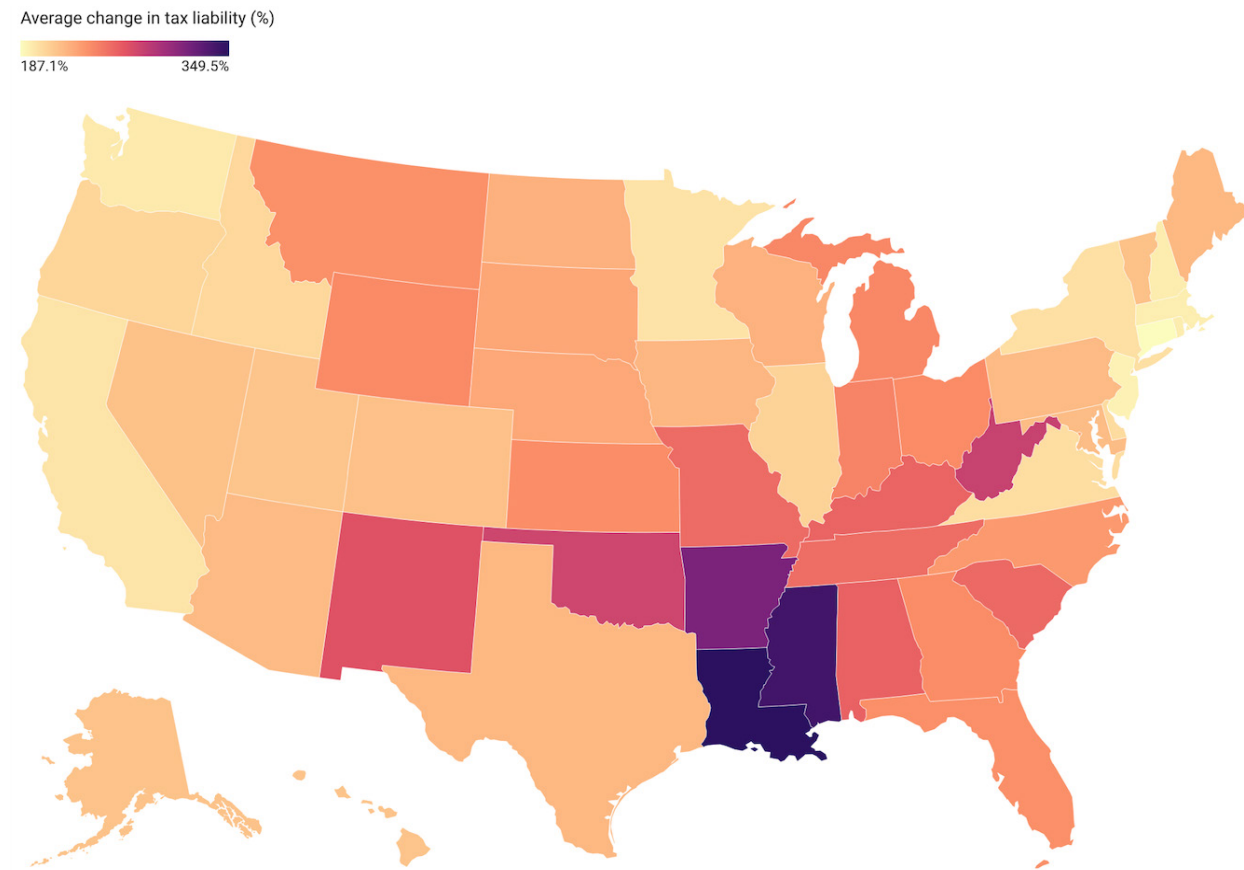
“Single borrowers without children could see about 1 out of every 4 dollars of their income go to federal taxes...”

states, we modeled the tax impacts for a typical borrower in each state using the state’s median household income and average amount of IDR cancellation. We calculated tax outcomes in each state for (1) a household of four (two parents, two dependents) and (2) a single-parent household with two dependents.

Borrowers in the South will generally see the largest tax increases. This is largely because borrowers in the South typically have larger balances and lower incomes than the national average. The national average IDR cancellation amount is \$49,697.³⁶ Southern states where average IDR cancellation amounts are higher than the national average include but are not limited to Georgia (\$56,958), Louisiana (\$55,278), Florida (\$54,371), South Carolina (\$53,188), Tennessee (\$52,073), Missouri (\$51,717), and Arkansas (\$50,261).³⁷ Conversely, in 2024, the national median household income was \$81,604.³⁸ Among the three southern states that will see the largest tax increases, the median household income is \$60,986 in Louisiana, \$59,127 in Mississippi, and \$62,106 in Arkansas.³⁹

The top 10 states where *married* borrowers with children will see their taxes increase the most are Louisiana, Mississippi, Arkansas, West Virginia, Oklahoma, New Mexico, Alabama, Kentucky, South Carolina, and Missouri.⁴⁰ In all of these states, such borrowers would typically receive a tax credit ranging from a few hundred dollars to over \$3,000, which can help substantially when raising children on a modest income. Treating cancelled student loan debt as income could cost these borrowers between \$5,000 to over \$7,000 in lost credits and additional taxes, effectively doubling or even tripling their tax bill.

Figure 5. Map: State-by-state tax impact projections for married borrowers, two dependents.⁴¹



For an interactive map with additional data, [click here](#). For a tabulation of the top 10 states with the largest projected tax increases for married borrowers with dependents, see Figure 6. For a tabulation for all 50 states and D.C., see Appendix B.

Figure 6. Top 10 states by impacts of cancelled debt taxation, for married borrowers with two dependents earning the state median income and average IDR cancellation.

Rank	State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%) [*]
1	Louisiana	Credit of \$2,777	Owes \$4,892	+ \$7,668	More than triple (349.5%)
2	Mississippi	Credit of \$3,383	Owes \$3,919	+ \$7,303	More than triple (340.6%)
3	Arkansas	Credit of \$2,406	Owes \$4,424	+ \$6,830	More than triple (316%)
4	West Virginia	Credit of \$2,838	Owes \$3,045	+ \$5,883	Nearly triple (282.5%)
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10	Missouri	Credit of \$469	Owes \$5,737	+ \$6,206	More than double (257.9%)

^{*} Note: The “Average New Income Tax Liability as Share of Previous (%)” column measures the increase in upfront tax liability incurred from cancelled debt being treated as taxable income, before the application of any eligible tax credits. The “tax outcome” columns measure outcomes after applying tax credits.

The top 10 states where *single* parents with children will see their taxes increase the most are Louisiana, Mississippi, Arkansas, South Carolina, Georgia, Oklahoma, Tennessee, Missouri, New Mexico, and Florida.⁴²

Many of the states on this list overlap with those where *married* borrowers will see their taxes increase the most. In nearly half of these states, single-parent borrowers would typically receive a tax credit of a few hundred dollars, and in eight out of the 10 states, single-parent borrowers would either receive a credit or have a tax liability of less than \$1,000. Treating cancelled student loan debt as income could cost these single-parent borrowers between \$8,000 to nearly \$12,000 in lost credits and additional taxes, and generally triple their tax bills.

Figure 7. Top 10 states by impacts of cancelled debt taxation, for single borrowers with two dependents earning the state median income and average IDR cancellation.

Rank	State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%) [*]
1	Louisiana	Credit of \$634	Owes \$8,766	+ \$9,400	More than triple (349.6%)
2	Mississippi	Credit of \$857	Owes \$6,984	+ \$7,840	More than triple (321.3%)
3	Arkansas	Credit of \$499	Owes \$7,909	+ \$8,408	More than triple (315.5%)
4	South Carolina	Owes \$730	Owes \$10,806	+ \$10,076	Nearly triple (296.4%)
5	Georgia	Owes \$1,647	Owes \$13,459	+ \$11,812	Nearly triple (295.3%)
6	Oklahoma	Credit of \$14	Owes \$8,529	+ \$8,543	Nearly triple (294.8%)
7	Tennessee	Owes \$688	Owes \$10,483	+ \$9,796	Nearly triple (292.5%)
8	Missouri	Owes \$639	Owes \$10,315	+ \$9,677	Nearly triple (292%)
9	New Mexico	Owes \$186	Owes \$8,982	+ \$8,796	Nearly triple (291.8%)
10	Florida	Owes \$1,376	Owes \$12,296	+ \$10,920	Nearly triple (289.1%)

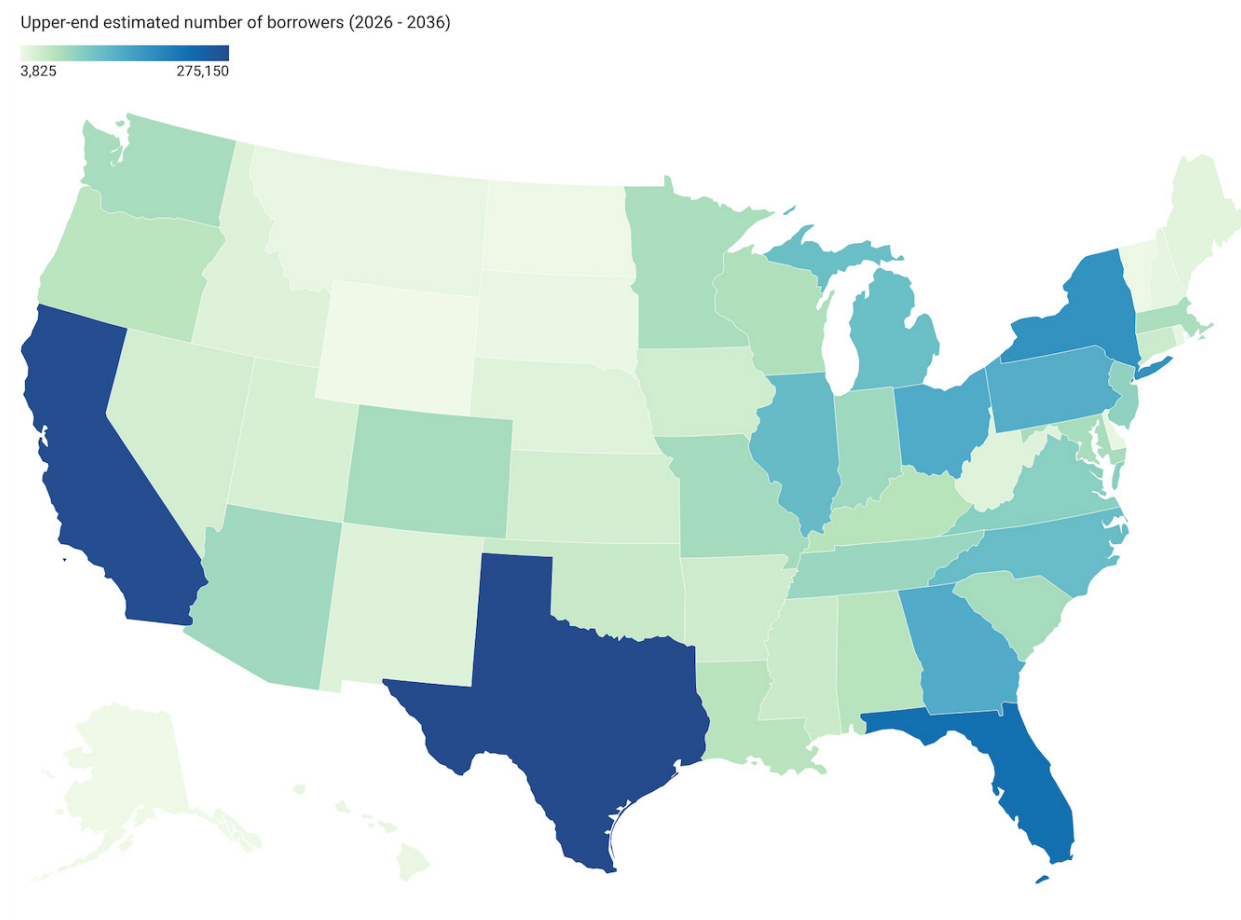
For a tabulation for all 50 states and D.C., see Appendix C.

Number of Borrowers Affected

Nearly half of all federal student loan borrowers in repayment (44 percent) are enrolled in an IDR plan and could theoretically eventually qualify for cancellation.⁴³ Over the first 10 years of IDR cancellation being available and as a result of administrative corrections by the Biden Administration, approximately 1.5 million student loan borrowers earned cancellation under IDR.⁴⁴ However, the number of borrowers earning progress toward cancellation has dramatically increased. The number of people in IDR has nearly doubled in roughly the last decade: 12.8 million federal student loan borrowers are enrolled in IDR today, compared to only 6.8 million in 2017.⁴⁵ Additional cohorts of borrowers will become eligible for cancellation over the next several years as they reach eligibility from making qualifying payments.⁴⁶ This means that the number of borrowers who will qualify for cancellation—and, unless current policies change, be subject to a tax bomb—will only increase over time.

We estimate that between 1.9 million to 3.2 million borrowers will earn cancellation over the next 10 years, and potentially be subject to a federal tax bomb.⁴⁷ See Figure 8 for a map and Appendix D for the corresponding tabulation of the number of borrowers earning IDR cancellation by state, as well as projections for the number of borrowers who will reach cancellation in the next decade.

Figure 8. Map: Upper-bound, state-by-state projections for number of borrowers subject to cancelled debt taxation (2026 - 2036).⁴⁸



For an interactive map with additional data, [click here](#).

The states with the largest populations and number of borrowers enrolled in IDR will likely see the greatest number of borrowers subject to a substantial tax increase over the next 10 years.⁴⁹ These include Texas, (where about 275,000 borrowers may see their taxes double or triple), California (nearly 271,000 borrowers), Florida (nearly 221,000 borrowers), New York (nearly 172,000 borrowers), and Ohio (nearly 135,000 borrowers). In each of these states, between 500,000 to over 1 million borrowers are currently enrolled in IDR and making progress toward potential cancellation.⁵⁰

Figure 9. State-by-state projections for the number of borrowers subject to cancelled debt taxation.⁵¹

Rank	State	Number of IDR Enrollees (Mar. 2026)	Estimate of Borrowers Subject to Cancelled Debt Taxation* (2026 - 2036)
1	Texas	1,100,600	165,100 - 275,200
2	California	1,083,100	162,500 - 270,800
3	Florida	882,600	132,400 - 220,700
4	New York	687,700	103,200 - 171,900
5	Ohio	538,600	80,800 - 134,700
6	Georgia	532,900	79,900 - 133,200
7	Pennsylvania	522,200	78,300 - 130,600
8	Illinois	450,100	67,500 - 112,500
9	North Carolina	439,000	65,900 - 109,800
10	Michigan	425,400	63,800 - 106,400

* Note: Figures here are rounded to the nearest hundred.

However, states across the South and Midwest generally have a higher number of borrowers who are enrolled in IDR and could eventually be subject to such taxation for cancelled debt, as a *share of their population*.⁵² The states and places with the highest such impact rates are the District of Columbia (where up to 9,700 borrowers may see their taxes double or triple), Georgia (up to 133,200 borrowers), Ohio (up to 134,700), Mississippi (up to 33,400 borrowers), and South Carolina (up to 61,400 borrowers). For a tabulation of the top 10 states with the most borrowers subject to cancelled debt taxation as a share of population, see Figure 10.

Figure 10. State-by-state projections for borrowers subject to cancelled debt taxation as share of population (2026 - 2036).⁵³

Rank	State	Number of IDR Enrollees (Mar. 2026)	Estimate of Borrowers Subject to Cancelled Debt Taxation* (2026 - 2036)
1	District of Columbia	38,700	5,800 - 9,700
2	Georgia	532,900	79,900 - 133,200
3	Ohio	538,600	80,800 - 134,700
4	Mississippi	133,600	20,000 - 33,400
5	South Carolina	245,700	36,900 - 61,400
6	Oregon	181,800	27,300 - 45,500
7	Michigan	425,400	63,800 - 106,400
8	Kentucky	190,200	28,500 - 47,600
9	Maine	58,200	8,700 - 14,600
10	Louisiana	187,500	28,100 - 46,900

Recommendations

The last thing borrowers need—and certainly also the last thing they can afford—after weathering significant financial hardship and paying their loans for 20 to 30 years, is to owe several to tens of thousands of dollars in additional taxes. Such a tax bomb could force millions of working families to replace their student loan debt with debt to the Internal Revenue Service.

We therefore provide a single recommendation to both Congress and state legislatures: pass legislation to end taxation of cancelled student loan debt.

End federal taxation of cancelled student loan debt.

During the next budget reconciliation process, Congress can pass legislation which permanently exempts federal student loans cancelled under Income-Driven Repayment (IDR) plans and the Repayment Assistance Plan (RAP) from taxation. This exemption was already in effect from 2021 to the end of 2025 as a result of measures in both the Tax Cuts and Jobs Act of 2017 (TCJA) and American Rescue Plan Act of 2021 (ARPA).

End state taxation of cancelled student loan debt.

While our analysis quantifies only the impacts of federal taxation of cancelled student loan debt, additional taxation by state governments would only impose an additional financial burden on borrowers. Some states have rolling conformity with the federal Internal Revenue Code (IRC), while others pass legislation periodically to update state laws to conform with the IRC, and others have established their own definitions of taxable income and other relevant terms. In upcoming budget and legislative cycles across the nation, state legislators should direct the appropriate agencies to exempt cancelled student loan debt from taxation.

Appendix A: Methodology

We calculated borrowers' tax liabilities and estimated refunds and credits according to the most recently available Internal Revenue Service (IRS) guidelines and a series of assumptions outlined below.

Calculating Tax Impacts

We assume that a typical borrower's income from student debt cancellation would be reported on a Form 1099-C and subject to federal income tax as a portion of the borrower's adjusted gross income.⁵⁴ We assume that the borrower has no additional sources of income besides one wage income reported on a W-2, and that the borrower does not qualify for insolvency. For comparability, we assume that both single-parent and married borrowers have two dependents, which is the average number of children per household as of 2023, and are able to claim these dependents for the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC).⁵⁵

We assume that single borrowers with no dependents file as single, single parents with two dependents as head of household, and married borrowers with two dependents as married filing jointly. We assume that all borrowers claim the updated 2026 OBBBA standard deduction (\$16,100 for single filers, \$24,150 for head of household filers, and \$32,200 for married filing jointly),⁵⁶ in addition to their maximum allowable student loan interest deduction (up to \$2,500).⁵⁷ We calculated a typical borrower's student loan interest deduction eligibility and amount (up to \$2,500 per borrower) using the latest IRS guidelines.⁵⁸

We calculate a borrower's tax liability using a taxable income figure equal to their total income less the standard deduction and student loan interest deduction. We apply 2026 income tax brackets to this figure to calculate a borrower's federal tax liability (excluding payroll taxes such as Medicare and Social Security, which are not part of this analysis).⁵⁹ We then calculate a borrower's eligibility for both the EITC and CTC and deduct these credits from the tax liability to determine if the borrower would receive a tax obligation or refund. We calculate EITC eligibility using 2026 IRS guidelines.⁶⁰ We calculate CTC eligibility using 2026 IRS guidelines, including the increased per-dependent limit (\$2,200) established in the OBBBA.⁶¹ Where borrowers are eligible for a tax credit, their net tax outcome is capped at the total *refundable* credit, or their liability less the EITC and their maximum *refundable* CTC (which is capped at \$1,700 per dependent).⁶² No borrower scenarios involve incomes high enough to trigger the CTC phase-out (at \$200,000 for single filers or \$400,000 for married filing jointly). Net tax outcomes and credit calculations have been spot-checked against a Tax Foundation calculator.⁶³

In November 2025, we published a tax analysis which used the most recently available tax codes and policies at the time, which were 2025 tax brackets and EITC guidelines, to provide an initial set of projections of borrower impacts.⁶⁴ Variations in figures reported here from the previous analysis reflect the use of updated 2026 brackets and guidelines.

National Tax Projections

We provide three scenario projections for borrower incomes of \$40,000, representing a lower-income, working-class family; \$60,000, which is equal to or more than what a majority of IDR recipients earn;⁶⁵ and \$80,000, which is approximately the median income of a bachelor's degree holder.⁶⁶ For each of these income levels, we model outcomes for if the borrower is a single filer with no dependents, a single parent with two dependents, or a married parent with two dependents. Across all scenarios, we assume the borrower earns the national average amount of IDR cancellation (\$49,697), according to cumulative IDR account adjustments reported in January 2025.⁶⁷

Tax Projections per State

We assume that each state's modeled borrower earns the median household income for their state as of 2024 (the latest year on record).⁶⁸ The same income is applied to both single-parent and married borrowers. We additionally assume that each borrower earns the average amount of IDR cancellation in their state, according to cumulative IDR account adjustments reported in January 2025.⁶⁹ See Figure 11 for a tabulation of the average IDR cancellation amounts by state.

Figure 11. Median household income and average IDR cancellation amount by state.⁷⁰

State	Median Household Income (2024)	Average IDR Cancellation Amount (2025)
Alabama	\$66,659	\$45,163
Alaska	\$95,665	\$54,094
Arizona	\$81,486	\$51,072
Arkansas	\$62,106	\$50,261
California	\$100,149	\$49,247
Colorado	\$97,113	\$54,705
Connecticut	\$96,049	\$45,119
Delaware	\$87,534	\$49,236
District of Columbia	\$109,707	\$60,421

State	Median Household Income (2024)	Average IDR Cancellation Amount (2025)
Florida	\$77,735	\$54,371
Georgia	\$79,991	\$56,958
Hawaii	\$100,745	\$54,844
Idaho	\$81,166	\$44,642
Illinois	\$83,211	\$47,905
Indiana	\$71,959	\$48,225
Iowa	\$75,501	\$44,659
Kansas	\$75,514	\$51,585
Kentucky	\$64,526	\$41,360
Louisiana	\$60,986	\$55,278
Maine	\$76,442	\$45,510
Maryland	\$102,905	\$56,386
Massachusetts	\$104,828	\$47,932
Michigan	\$72,389	\$48,260
Minnesota	\$87,117	\$48,235
Mississippi	\$59,127	\$49,035
Missouri	\$71,589	\$51,717
Montana	\$75,340	\$50,972
Nebraska	\$76,376	\$48,406
Nevada	\$81,134	\$49,322
New Hampshire	\$99,782	\$47,809
New Jersey	\$104,294	\$47,071
New Mexico	\$67,816	\$49,431
New York	\$85,820	\$47,555
North Carolina	\$73,958	\$47,522
North Dakota	\$77,871	\$48,659
Ohio	\$72,212	\$47,339

State	Median Household Income (2024)	Average IDR Cancellation Amount (2025)
Oklahoma	\$66,148	\$49,039
Oregon	\$85,220	\$49,487
Pennsylvania	\$77,545	\$46,400
Rhode Island	\$83,504	\$42,431
South Carolina	\$72,350	\$53,188
South Dakota	\$76,881	\$49,318
Tennessee	\$71,997	\$52,073
Texas	\$79,721	\$49,680
Utah	\$96,658	\$53,992
Vermont	\$82,730	\$51,215
Virginia	\$92,090	\$49,490
Washington	\$99,389	\$48,225
West Virginia	\$60,798	\$40,078
Wisconsin	\$77,488	\$47,963
Wyoming	\$75,532	\$52,138

To review the underlying data and tax calculations for all scenarios outlined in this report, see [this table](#).⁷¹

Borrowers Affected

We estimate the number of borrowers who will be impacted by current cancellation tax policy over the next 10 years by assuming, as a lower bound, that 15 percent of current IDR enrollees reach cancellation over the next 10 years, and as an upper bound, that 25 percent of current enrollees do the same. This yields the finding that between 1.9 to 3.2 million borrowers nationwide will become eligible for cancellation from roughly 2026 to 2036. To calculate state-level projections for the share of borrowers impacted, we split these national totals by the current distribution of IDR enrollees in each state.⁷²

The lower and upper bounds of 15 percent and 25 percent, respectively, are rough boundary estimates that we derived from the share of IDR enrollees that qualified for cancellation during the first 10 years of cancellation. Approximately 1.5 million borrowers qualified for IDR cancellation over the period from 2015 to 2025.⁷³ This constitutes about 22 percent of the 6.8 million borrowers enrolled in IDR at the end of 2017 (the

earliest year on record in current data), and nearly 12 percent of the 12.5 million borrowers enrolled in IDR at the start of 2025.⁷⁴ We apply and round these shares up to 15 and 25 percent. Nearly half of all current federal student loan borrowers in repayment (44 percent), totaling 12.8 million Americans, are enrolled in IDR and could theoretically eventually qualify for cancellation.⁷⁵ Moreover, additional cohorts of borrowers will become eligible for cancellation under the Income-Based Repayment (IBR) and Pay As You Earn (PAYE) plans over the next several years as they reach their 20 to 25 year repayment milestones.⁷⁶ These trends support the notion that *more* borrowers will reach eligibility for cancellation under IDR in future years compared to previous years, and mean our projections are likely underestimates of the true number of borrowers who will qualify for cancellation.

Appendix B: State-by-State Tax Projections for Married Borrowers

Figure 12. State-by-state tax impact projections for married borrowers, two dependents.⁷⁷

State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%) [*]
Alabama	Credit of \$1,061	Owes \$4,359	+ \$5,420	More than double (262.3%)
Alaska	Owes \$2,420	Owes \$10,337	+ \$7,917	More than double (216.1%)
Arizona	Owes \$718	Owes \$6,847	+ \$6,129	More than double (219.7%)
Arkansas	Credit of \$2,406	Owes \$4,424	+ \$6,830	More than triple (316%)
California	Owes \$2,958	Owes \$10,257	+ \$7,299	Nearly double (199.2%)
Colorado	Owes \$2,594	Owes \$10,790	+ \$8,196	More than double (217.2%)
Connecticut	Owes \$2,466	Owes \$8,447	+ \$5,981	Nearly double (187.1%)
Delaware	Owes \$1,444	Owes \$7,479	+ \$6,035	More than double (203.3%)
District of Columbia	Owes \$4,105	Owes \$14,818	+ \$10,713	More than double (226%)
Florida	Owes \$268	Owes \$6,793	+ \$6,525	More than double (239.8%)
Georgia	Owes \$539	Owes \$7,519	+ \$6,980	More than double (241.3%)
Hawaii	Owes \$3,029	Owes \$11,620	+ \$8,590	More than double (215.6%)
Idaho	Owes \$680	Owes \$6,037	+ \$5,357	More than double (205.5%)
Illinois	Owes \$925	Owes \$6,674	+ \$5,749	More than double (207.9%)
Indiana	Credit of \$425	Owes \$5,362	+ \$5,787	More than double (245.6%)
Iowa	Owes \$0	Owes \$5,359	+ \$5,359	More than double (221.8%)
Kansas	Owes \$2	Owes \$6,192	+ \$6,190	More than double (240.6%)
Kentucky	Credit of \$1,606	Owes \$3,646	+ \$5,252	More than double (261%)
Louisiana	Credit of \$2,777	Owes \$4,892	+ \$7,668	More than triple (349.5%)

State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%)*
Maine	Owes \$113	Owes \$5,574	+ \$5,461	More than double (221%)
Maryland	Owes \$3,289	Owes \$12,434	+ \$9,145	More than double (218.9%)
Massachusetts	Owes \$3,519	Owes \$10,997	+ \$7,478	Nearly double (194.4%)
Michigan	Credit of \$373	Owes \$5,418	+ \$5,791	More than double (243.8%)
Minnesota	Owes \$1,394	Owes \$7,182	+ \$5,788	Nearly double (199.9%)
Mississippi	Credit of \$3,383	Owes \$3,919	+ \$7,303	More than triple (340.6%)
Missouri	Credit of \$469	Owes \$5,737	+ \$6,206	More than double (257.9%)
Montana	Credit of \$19	Owes \$6,097	+ \$6,117	More than double (239.6%)
Nebraska	Owes \$105	Owes \$5,914	+ \$5,809	More than double (228.9%)
Nevada	Owes \$676	Owes \$6,595	+ \$5,919	More than double (216.6%)
New Hampshire	Owes \$2,914	Owes \$9,860	+ \$6,946	Nearly double (195%)
New Jersey	Owes \$3,455	Owes \$10,690	+ \$7,235	Nearly double (192.1%)
New Mexico	Credit of \$922	Owes \$5,010	+ \$5,932	More than double (270.6%)
New York	Owes \$1,238	Owes \$6,945	+ \$5,707	More than double (201.2%)
North Carolina	Credit of \$185	Owes \$5,518	+ \$5,703	More than double (235.3%)
North Dakota	Owes \$285	Owes \$6,124	+ \$5,839	More than double (224.6%)
Ohio	Credit of \$395	Owes \$5,286	+ \$5,681	More than double (241.8%)
Oklahoma	Credit of \$1,122	Owes \$4,762	+ \$5,885	More than double (279.5%)
Oregon	Owes \$1,166	Owes \$7,105	+ \$5,938	More than double (206.7%)
Pennsylvania	Owes \$245	Owes \$5,813	+ \$5,568	More than double (219.9%)
Rhode Island	Owes \$960	Owes \$6,052	+ \$5,092	Nearly double (195%)
South Carolina	Credit of \$378	Owes \$6,005	+ \$6,383	More than double (258.7%)
South Dakota	Owes \$166	Owes \$6,084	+ \$5,918	More than double (229.6%)
Tennessee	Credit of \$420	Owes \$5,828	+ \$6,249	More than double (257%)
Texas	Owes \$507	Owes \$6,468	+ \$5,962	More than double (221.5%)
Utah	Owes \$2,539	Owes \$10,533	+ \$7,994	More than double (215.2%)

State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%)*
Vermont	Owes \$868	Owes \$7,013	+ \$6,146	More than double (216.7%)
Virginia	Owes \$1,991	Owes \$8,538	+ \$6,547	More than double (202.4%)
Washington	Owes \$2,867	Owes \$9,865	+ \$6,998	Nearly double (196.3%)
West Virginia	Credit of \$2,838	Owes \$3,045	+ \$5,883	Nearly triple (282.5%)
Wisconsin	Owes \$239	Owes \$5,994	+ \$5,756	More than double (224.1%)
Wyoming	Owes \$4	Owes \$6,260	+ \$6,257	More than double (242.1%)

* Note: The "Average New Income Tax Liability as Share of Previous (%)" column measures the increase in upfront tax liability incurred from cancelled debt being treated as taxable income, before the application of any eligible tax credits. The "tax outcome" columns measure outcomes after applying tax credits.

Appendix C: State-by-State Tax Projections for Single Borrowers

Figure 13. State-by-state tax impact projections for single-parent borrowers, two dependents.⁷⁸

State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%)*
Alabama	Owes \$47	Owes \$7,789	+ \$7,742	More than double (274.1%)
Alaska	Owes \$4,075	Owes \$16,533	+ \$12,458	More than double (247%)
Arizona	Owes \$1,826	Owes \$12,405	+ \$10,579	More than double (269.9%)
Arkansas	Credit of \$499	Owes \$7,909	+ \$8,408	More than triple (315.5%)
California	Owes \$5,221	Owes \$16,446	+ \$11,225	More than double (216.7%)
Colorado	Owes \$4,447	Owes \$17,027	+ \$12,580	More than double (242.2%)
Connecticut	Owes \$4,174	Owes \$14,471	+ \$10,297	More than double (220.1%)
Delaware	Owes \$2,603	Owes \$13,416	+ \$10,813	More than double (254.4%)
District of Columbia	Owes \$7,324	Owes \$21,422	+ \$14,098	More than double (220.3%)
Florida	Owes \$1,376	Owes \$12,296	+ \$10,920	Nearly triple (289.1%)
Georgia	Owes \$1,647	Owes \$13,459	+ \$11,812	Nearly triple (295.3%)
Hawaii	Owes \$5,352	Owes \$17,932	+ \$12,581	More than double (229%)
Idaho	Owes \$1,788	Owes \$10,866	+ \$9,078	More than double (246.7%)
Illinois	Owes \$2,033	Owes \$12,059	+ \$10,026	More than double (255.8%)
Indiana	Owes \$683	Owes \$9,628	+ \$8,945	More than double (276%)
Iowa	Owes \$1,108	Owes \$9,623	+ \$8,515	More than double (254.6%)
Kansas	Owes \$1,110	Owes \$11,150	+ \$10,040	Nearly triple (282.2%)
Kentucky	Credit of \$209	Owes \$6,483	+ \$6,692	More than double (259.7%)
Louisiana	Credit of \$634	Owes \$8,766	+ \$9,400	More than triple (349.6%)

State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%)*
Maine	Owes \$1,221	Owes \$10,017	+ \$8,796	More than double (256.5%)
Maryland	Owes \$5,827	Owes \$18,821	+ \$12,994	More than double (227.1%)
Massachusetts	Owes \$6,250	Owes \$17,253	+ \$11,003	More than double (203.3%)
Michigan	Owes \$735	Owes \$9,731	+ \$8,996	More than double (275.2%)
Minnesota	Owes \$2,544	Owes \$13,075	+ \$10,531	More than double (251.6%)
Mississippi	Credit of \$857	Owes \$6,984	+ \$7,840	More than triple (321.3%)
Missouri	Owes \$639	Owes \$10,315	+ \$9,677	Nearly triple (292%)
Montana	Owes \$1,089	Owes \$10,977	+ \$9,888	Nearly triple (280.1%)
Nebraska	Owes \$1,213	Owes \$10,640	+ \$9,427	More than double (267.9%)
Nevada	Owes \$1,784	Owes \$11,900	+ \$10,116	More than double (263.6%)
New Hampshire	Owes \$5,132	Owes \$16,013	+ \$10,881	More than double (214.1%)
New Jersey	Owes \$6,133	Owes \$16,918	+ \$10,786	More than double (202.4%)
New Mexico	Owes \$186	Owes \$8,982	+ \$8,796	Nearly triple (291.8%)
New York	Owes \$2,363	Owes \$12,601	+ \$10,238	More than double (251.4%)
North Carolina	Owes \$923	Owes \$9,914	+ \$8,991	More than double (268.9%)
North Dakota	Owes \$1,393	Owes \$11,025	+ \$9,632	More than double (266.3%)
Ohio	Owes \$713	Owes \$9,489	+ \$8,776	More than double (271.6%)
Oklahoma	Credit of \$14	Owes \$8,529	+ \$8,543	Nearly triple (294.8%)
Oregon	Owes \$2,279	Owes \$12,921	+ \$10,642	More than double (259.3%)
Pennsylvania	Owes \$1,353	Owes \$10,456	+ \$9,102	More than double (258.2%)
Rhode Island	Owes \$2,068	Owes \$10,894	+ \$8,825	More than double (236.4%)
South Carolina	Owes \$730	Owes \$10,806	+ \$10,076	Nearly triple (296.4%)
South Dakota	Owes \$1,274	Owes \$10,952	+ \$9,678	More than double (270.6%)
Tennessee	Owes \$688	Owes \$10,483	+ \$9,796	Nearly triple (292.5%)
Texas	Owes \$1,615	Owes \$11,656	+ \$10,042	More than double (267%)
Utah	Owes \$4,330	Owes \$16,747	+ \$12,417	More than double (242.2%)

State	Tax Outcome: Cancelled Debt Not Taxed	Tax Outcome: Cancelled Debt Taxed	Additional Tax Costs from Cancelled Debt	Average New Income Tax Liability as Share of Previous (%)*
Vermont	Owes \$1,976	Owes \$12,738	+ \$10,762	More than double (268.8%)
Virginia	Owes \$3,241	Owes \$14,570	+ \$11,330	More than double (248.3%)
Washington	Owes \$5,031	Owes \$16,018	+ \$10,987	More than double (216.5%)
West Virginia	Credit of \$656	Owes \$5,381	+ \$6,037	More than double (261.3%)
Wisconsin	Owes \$1,347	Owes \$10,787	+ \$9,441	More than double (264.3%)
Wyoming	Owes \$1,112	Owes \$11,275	+ \$10,164	Nearly triple (284.4%)

* Note: The "Average New Income Tax Liability as Share of Previous (%)" column measures the increase in upfront tax liability incurred from cancelled debt being treated as taxable income, before the application of any eligible tax credits. The "tax outcome" columns measure outcomes after applying tax credits.

Appendix D: State-by-State Tax Projections for Number of Borrowers Impacted

Figure 14. State-by-state projections for number of borrowers subject to cancelled debt taxation.⁷⁹

State	Number of IDR Enrollees (Mar. 2026)	Estimate of Borrowers Subject to Cancelled Debt Taxation (2026 - 2036)	
		Lower Bound	Upper Bound
Alabama	189,500	28,425	47,375
Alaska	19,000	2,850	4,750
Arizona	262,000	39,300	65,500
Arkansas	121,500	18,225	30,375
California	1,083,100	162,465	270,775
Colorado	239,800	35,970	59,950
Connecticut	132,000	19,800	33,000
Delaware	38,500	5,775	9,625
District of Columbia	38,700	5,805	9,675
Florida	882,600	132,390	220,650
Georgia	532,900	79,935	133,225
Hawaii	34,500	5,175	8,625
Idaho	72,200	10,830	18,050
Illinois	450,100	67,515	112,525
Indiana	265,300	39,795	66,325
Iowa	118,100	17,715	29,525
Kansas	106,600	15,990	26,650
Kentucky	190,200	28,530	47,550

State	Number of IDR Enrollees (Mar. 2026)	Estimate of Borrowers Subject to Cancelled Debt Taxation (2026 - 2036)	
		Lower Bound	Upper Bound
Louisiana	187,500	28,125	46,875
Maine	58,200	8,730	14,550
Maryland	237,000	35,550	59,250
Massachusetts	230,300	34,545	57,575
Michigan	425,400	63,810	106,350
Minnesota	231,900	34,785	57,975
Mississippi	133,600	20,040	33,400
Missouri	248,600	37,290	62,150
Montana	40,100	6,015	10,025
Nebraska	68,100	10,215	17,025
Nevada	105,500	15,825	26,375
New Hampshire	50,700	7,605	12,675
New Jersey	308,800	46,320	77,200
New Mexico	71,300	10,695	17,825
New York	687,700	103,155	171,925
North Carolina	439,000	65,850	109,750
North Dakota	22,500	3,375	5,625
Ohio	538,600	80,790	134,650
Oklahoma	141,400	21,210	35,350
Oregon	181,800	27,270	45,450
Pennsylvania	522,200	78,330	130,550
Rhode Island	39,500	5,925	9,875
South Carolina	245,700	36,855	61,425
South Dakota	32,700	4,905	8,175
Tennessee	279,400	41,910	69,850

State	Number of IDR Enrollees (Mar. 2026)	Estimate of Borrowers Subject to Cancelled Debt Taxation (2026 - 2036)	
		<i>Lower Bound</i>	<i>Upper Bound</i>
Texas	1,100,600	165,090	275,150
Utah	94,200	14,130	23,550
Vermont	24,000	3,600	6,000
Virginia	323,100	48,465	80,775
Washington	239,400	35,910	59,850
West Virginia	67,400	10,110	16,850
Wisconsin	213,100	31,965	53,275
Wyoming	15,300	2,295	3,825
All Other Locations	40,300	6,045	10,075
Not Reported	409,600	61,440	102,400
Total	12,831,100	1,924,665	3,207,775

Endnotes

- 1 Higher Education Act of 1965, § 493C; 20 U.S.C. §§ 1087e(d)(1)(D), 1098e.
- 2 One Big Beautiful Bill Act of 2025, § 82001(d); 20 U.S.C. § 1087e(q)(1)(D) - (E).
- 3 U.S. Department of Education, Office of Federal Student Aid, *IDR Portfolio by Location*, (accessed Aug. 21, 2026), as archived at <https://perma.cc/U54L-BZ56>. Calculated by summing borrowers column.
- 4 Kristin Blagg, *Who uses income-driven student loan repayment?*, Urban Institute, (Feb. 20, 2018), <https://www.urban.org/urban-wire/who-uses-income-driven-student-loan-repayment>.
- 5 Figures here are not inflation-adjusted. Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5, 53, 55.
- 6 See Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 13.
- 7 While tax bomb implications have always been a concern within the IDR programs, systemic failures in the administration of the program by ED and its student loan servicers resulted in very few borrowers actually achieving cancellation after 20 or 25 years of payments. In 2021, an investigation conducted by Protect Borrowers (then the Student Borrower Protection Center) and the National Consumer Law Center found that only 32 borrowers were able to receive cancellation, despite more than 2 million borrowers being in repayment for more than 20 years. See National Consumer Law Center and Student Borrower Protection Center, *Education Department's Decades-Old Debt Trap: How the Mismanagement of Income-Driven Repayment Locked Millions in Debt*, (Mar. 2021), <https://protectborrowers.org/wp-content/uploads/2021/03/IDR-Brief-NCLC-SBPC.pdf>. In response, the Biden Administration implemented an IDR account adjustment to ensure that borrowers making payments on their loans were receiving credit towards IDR cancellation. As a

result, 3.6 million borrowers received at least 3 years in additional credit towards IDR cancellation, drastically increasing the number of Americans who will likely face a tax bomb should Congress not act. See U.S. Department of Education, Office of Federal Student Aid, *Payment Count Adjustments Toward Income-Driven Repayment and Public Service Loan Forgiveness Programs*, (accessed Sep. 14, 2026), <https://studentaid.gov/announcements-events/idr-account-adjustment> (archived at <https://web.archive.org/web/20250920143459/https://studentaid.gov/announcements-events/idr-account-adjustment>).

8 See American Rescue Plan Act of 2021, § 9675. Under the Higher Education Act of 1965, borrowers of qualifying federal student loans who repay their loans on a qualifying repayment plan for 20 to 25 years are entitled to the cancellation of any remaining balance. Prior to the passage of the American Rescue Plan Act, the balances cancelled through IDR had been considered taxable income.

9 See Congressional Budget Office, *Income-Driven Repayment Plans for Student Loans: Budgetary Costs and Policy Options*, (Feb. 2020), <https://www.cbo.gov/publication/56277> at p. 15, which states: “Loans are often repaid more slowly under income-driven plans because the required payments are too small to cover the accruing interest. As a result, borrowers in such plans typically see their balance grow over time rather than being paid down. For example, the median balance of those who began repaying their loans in 2012 increased as a percentage of the original disbursement for six years ... By the end of 2017, over 75 percent of those borrowers owed more than they had originally borrowed.”

10 See U.S. Department of Education, Open Data Platform, *Approved Debt Relief by State: 01.15.25 Master Forgiveness State by State File.xlsx*, (last updated Jan. 16, 2025), <https://data.ed.gov/dataset/approved-debt-relief-by-state/resources?resource=6a1fab7a-f847-4419-8a78-72a7e8a113f3> as archived at <https://perma.cc/GLC6-JPE6> (additional dataset information archived at <https://perma.cc/W469-9FHA>). Note: The given “total” row in the spreadsheet does not align with computed totals. We therefore re-calculated totals for each column, and calculated the average IDR balance cancelled nationwide by dividing the outstanding balance column total by the borrower count total under the “borrowers identified for forgiveness under Income-Driven Repayment adjustment by location” section. See also Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5, 53, 55.

11 U.S. Internal Revenue Service, *Publication 4681: Cancelled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)*, (Aug. 15, 2024), <https://www.irs.gov/pub/irs-pdf/p4681.pdf>.

12 We additionally note that borrowers can avoid being subjected to tax increases due to cancelled debt if the debt is discharged in a Title XI bankruptcy proceeding. See U.S. Internal Revenue Service, *Publication 4681: Cancelled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)*, (Aug. 15, 2024), <https://www.irs.gov/pub/irs-pdf/p4681.pdf> at 10-11.

13 See Tax Cuts and Jobs Act of 2017, § 11031. Congress excluded both private and federal student loan balances cancelled due to death or permanent disability until December 31, 2025.

14 See American Rescue Plan Act of 2021, § 9675. Under the Higher Education Act of 1965, borrowers of qualifying federal student loans who repay their loans on a qualifying repayment plan for 20 to 25 years are entitled to the cancellation of any remaining balance. Prior to the passage of the American Rescue Plan Act, the balances cancelled through IDR had been considered taxable income.

15 Consumer Financial Protection Bureau, *Annual Report of the CFPB Student Loan Ombudsman*, (Nov. 15, 2024), https://files.consumerfinance.gov/f/documents/cfpb_2024-annual-student-loan-ombudsmans-report_2024-11.pdf (archived at https://web.archive.org/web/20250426023427/https://files.consumerfinance.gov/f/documents/cfpb_2024-annual-student-loan-ombudsmans-report_2024-11.pdf).

16 U.S. Department of Education, Office of Federal Student Aid, *Payment Count Adjustments Toward Income-Driven Repayment and Public Service Loan Forgiveness Programs*, (accessed Sep. 25, 2025), <https://studentaid.gov/announcements-events/idr-account-adjustment> (archived at <https://web.archive.org/web/20250920143459/https://studentaid.gov/announcements-events/idr-account-adjustment>).

17 American Rescue Plan Act of 2021, § 9675, 26 U.S.C. § 108(f)(5) (prior to amendment by P.L. 119-21, effective for discharges before January 1, 2026).

18 See One Big Beautiful Bill Act of 2025, § 70119.

19 See U.S. Internal Revenue Service, *What if I am insolvent?*, (accessed Sep. 19, 2025), <https://www.irs.gov/newsroom/what-if-i-am-insolvent>; U.S. Internal Revenue Service, *Form 982: Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*, (rev. Mar. 2018), <https://www.irs.gov/pub/irs-pdf/f982.pdf>; U.S. Internal Revenue Service, *Publication 4681: Cancelled Debts, Foreclosures, Repossessions, and Abandonments (for Individuals)*, (Aug. 15, 2024), <https://www.irs.gov/pub/irs-pdf/p4681.pdf> at p. 6-7 (Insolvency Worksheet); U.S. Internal Revenue Service, *Publication 561: Determining the Value of Donated Property*, (rev. Dec. 2024), <https://www.irs.gov/pub/irs-pdf/p561.pdf>.

20 U.S. Internal Revenue Service, *Cancellation of Debt Issues in Scope for VITA/TCE*, (accessed Sep. 23, 2025), https://apps.irs.gov/app/vita/content/36/36_02_005.jsp; U.S. Internal Revenue Service, *Publication 4731: Screening Sheet for Nonbusiness Credit Card Debt Cancellation*, (rev. Oct. 2024), <https://www.irs.gov/pub/irs-pdf/p4731.pdf>; U.S. Internal Revenue Service, *Publication 4731-A: Screening Sheet for Foreclosures/ Abandonments and Cancellation of Mortgage Debt*, (rev. Oct. 2024), <https://www.irs.gov/pub/irs-pdf/p4731a.pdf>.

21 For cost estimates of retaining an independent property appraiser, see BankRate, *How much does a home appraisal cost?*, (Mar. 3, 2025), <https://www.bankrate.com/real-estate/how-much-does-an-appraisal-cost/> (estimating that a single-family home appraisal costs \$357 on average); DailyDAC (Distressed Asset Central), *Personal Property Appraisals 101*, (Jan. 15, 2024), <https://www.dailydac.com/personal-property-appraisals/> (estimating an industry-wide daily appraisal services rate of \$1,200 to \$1,500 plus travel-related expenses if required). For cost estimates of retaining a professional tax preparer, see U.S. Internal Revenue Service, Taxpayer Advocate Service, *Most Serious Problems: At a Glance*, (2022), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/01/ARC22_MSP_Glance.pdf (noting that the average individual taxpayer spends 13 hours and \$240 on each return); Daniel Schneider and Kristen Harknett, *The High Cost of Return: Tax Filing in the Service Sector*, Harvard Kennedy School, Malcolm Wiener Center for Social Policy, (Apr. 2022), https://shift.hks.harvard.edu/wp-content/uploads/2022/04/Tax_Filing_4_14.pdf (noting preparation costs that range from \$89 to \$594, which take up a large share of service workers' salaries); Harness, *Average Fees for Tax Advisors in 2025*, (Jan. 23, 2025), <https://www.harness.co/articles/average-fees-for-tax-advisors/> (noting that the cost of preparing an individual, complex tax filing can start at \$1,500).

22 We inflation-adjust and round upward the CFPB finding that a majority of IDR enrollees had a household income of \$50,000 or less in 2022, which is equivalent to \$59,385 in 2026 dollars. See Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5 (stating: "16 percent [of borrowers surveyed] reported receiving debt relief through IDR. For these borrowers, 62 percent had a household income of \$50,000 or less, and only 12 percent reported a household income over \$80,000"); U.S. Bureau of Labor Statistics, *CPI Inflation Calculator*, https://www.bls.gov/data/inflation_calculator.htm.

23 Annual salary calculation of \$80,236 derived from multiplying the median bachelor's degree holder's weekly earnings (\$1,543) by 52 weeks per calendar year. See U.S. Bureau of Labor Statistics, *Employment Projections: Education Pays*, (Aug. 28, 2025), <https://www.bls.gov/emp/tables/unemployment-earnings-education.htm> (archived at <https://web.archive.org/web/20250906205728/https://www.bls.gov/emp/tables/unemployment-earnings-education.htm>).

24 U.S. Department of Education, Open Data Platform, *Approved Debt Relief by State: 01.15.25 Master Forgiveness State by State File.xlsx*, (last updated Jan. 16, 2025), <https://data.ed.gov/dataset/approved-debt-relief-by-state/resources?resource=6a1fab7a-f847-4419-8a78-72a7e8a113f3> as archived at <https://perma.cc/GLC6-JPE6> (additional dataset information archived at <https://perma.cc/W469-9FHA>). Note: The given "total" row in the spreadsheet does not align with computed totals. We therefore re-calculated totals for each column, and calculated the average IDR balance cancelled nationwide by dividing the outstanding balance column total by the borrower count total under the "borrowers identified for forgiveness under Income-Driven Repayment adjustment by location" section.

25 For all projections described here, see Figure 2. Tax liability here refers to what the borrower owes before deducting any tax credits.

26 For methodology and data, see Appendix A.

27 For all projections described here, see Figure 3. For the finding that most IDR recipients earn less than \$60,000, we inflation-adjust and round upward the CFPB finding that a majority of IDR enrollees had a household income of \$50,000 or less in 2022, which is equivalent to \$59,385 in 2026 dollars. See Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5 (stating: "16 percent [of borrowers surveyed] reported receiving debt relief through IDR. For these borrowers, 62 percent had a household income of \$50,000 or less, and only 12 percent reported a household income over \$80,000"); U.S. Bureau of Labor Statistics, *CPI Inflation Calculator*, https://www.bls.gov/data/inflation_calculator.htm.

28 U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *2026 Poverty Guidelines: 48 Contiguous States (all states except Alaska and Hawaii)*, <https://aspe.hhs.gov/sites/default/files/documents/b1bfa16b20ae9b89d525bc35de7c1643/detailed-guidelines-2026.pdf> at chart 1.

29 For methodology and data, see Appendix A.

30 See Figure 4.

31 For methodology and data, see Appendix A.

32 Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5, 53, 55.

33 See single borrower, no dependent income lines for Figures 2 through 4.

34 Here, we use “income” to refer to the total cash wages of a borrower, *not* their taxable income after summing cash wages with earned IDR cancellation. The Federal Insurance Contributions Act (FICA) establishes gross income tax rates of 6.2 percent for Social Security and 1.45 percent for Medicare for employees; these sum to 7.65 percent. See U.S. Internal Revenue Service, *Topic no. 751, Social Security and Medicare withholding rates*, (updated Jan. 20, 2026), <https://www.irs.gov/taxtopics/tc751>. State income tax rates range from 0 percent to 13.3 percent of adjusted or taxable income. See Tax Foundation, *State Individual Income Tax Rates and Brackets, 2025*, (Feb. 18, 2025), <https://taxfoundation.org/data/all/state/state-income-tax-rates/>. The sum of an approximate 25 percent effective federal income tax rate and a 7.65 percent FICA tax rate is 32.65 percent of gross income. After arbitrarily reducing an up to 13.3 percent state adjusted/taxable income tax rate to an about 10 percent gross rate and adding this to the previous sum, that yields a final effective tax rate of up to 42.65 percent for a single borrower without dependents. A borrower paying an effective total tax of this rate would see their income cut almost in half.

35 We inflation-adjust and round upward the CFPB finding that a majority of IDR enrollees had a household income of \$50,000 or less in 2022, which is equivalent to \$59,385 in 2026 dollars. See Consumer Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5 (stating: “16 percent [of borrowers surveyed] reported receiving debt relief through IDR. For these borrowers, 62 percent had a household income of \$50,000 or less, and only 12 percent reported a household income over \$80,000”); U.S. Bureau of Labor Statistics, *CPI Inflation Calculator*, https://www.bls.gov/data/inflation_calculator.htm.

36 U.S. Department of Education, Open Data Platform, *Approved Debt Relief by State: 01.15.25 Master Forgiveness State by State File.xlsx*, (last updated Jan. 16, 2025), <https://data.ed.gov/dataset/approved-debt-relief-by-state/resources?resource=6a1fab7a-f847-4419-8a78-72a7e8a113f3> as archived at <https://perma.cc/GLC6-JPE6> (additional dataset information archived at <https://perma.cc/W469-9FHA>). Note: The given “total” row in the spreadsheet does not align with computed totals. We therefore re-calculated totals for each column, and calculated the average IDR balance cancelled nationwide by dividing the outstanding balance column total by the borrower count total under the “borrowers identified for forgiveness under Income-Driven Repayment adjustment by location” section.

37 *Ibid.*

38 U.S. Census Bureau, *American Community Survey, 2024 ACS 1-Year Estimates Subject Tables, Table S1901: Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)*, (accessed Sep. 2026), [https://data.census.gov/table?q=S1901&g=010XX00US,\\$0400000&y=2024](https://data.census.gov/table?q=S1901&g=010XX00US,$0400000&y=2024).

39 U.S. Department of Commerce, U.S. Census Bureau, *American Community Survey, 2024 ACS 1-Year Estimates Subject Tables, Table S1901: Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)*, (accessed Apr. 2026), [https://data.census.gov/table/ACSST1Y2024.S1901?q=S1901&g=010XX00US\\$0400000](https://data.census.gov/table/ACSST1Y2024.S1901?q=S1901&g=010XX00US$0400000).

40 See Figure 6.

41 See Appendix B for underlying data. Interactive map available at Protect Borrowers Datawrapper, *Map: State-by-state tax impact projections for married borrowers, two dependents*, (pub. Sep. 2026), https://www.datawrapper.de/_/ZvRlv/.

42 See Figure 7.

43 U.S. Department of Education, Office of Federal Student Aid, (*GENERAL-26-38*) *Federal Student Aid Posts Updated Reports to FSA Data Center*, (Jun. 23, 2026), <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2026-06-23/federal-student-aid-posts-updated-reports-fsa-data-center> (archived at <https://perma.cc/4VAV-RTF9>), which states: “approximately 44 percent of the ED-serviced repayment plan population is in an IDR plan.”

44 For IDR account adjustment results, see U.S. Department of Education, *Email: Biden-Harris Administration Announces Final Student Loan Forgiveness and Borrower Assistance Actions*, (Jan. 16, 2025), as archived at https://protectborrowers.org/wp-content/uploads/2025/01/IDR-AA-ED-Release-Email_01-16-2025.pdf. For the number of borrowers moved closer to cancellation, see U.S. Department of Education, Office of Federal Student Aid, *Payment Count Adjustments Toward Income-Driven Repayment and Public Service Loan Forgiveness Programs*, (accessed Sep. 25, 2025), <https://studentaid.gov/announcements-events/idr-account-adjustment> (archived at <https://web.archive.org/web/20250920143459/https://studentaid.gov/announcements-events/idr-account-adjustment>). For the earliest IDR cancellation eligibility date, see U.S. Government Accountability Office, *Report to the Chairman of the Committee on Education and Labor, House of Representatives: Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness*, (Mar. 2022), <https://www.gao.gov/assets/gao-22-103720.pdf> at p. 5, Table 1 (stating that the undergraduate cohort of Direct Loan, Revised Pay As You Earn borrowers have an “earliest possible forgiveness date” of December 2015).

45 U.S. Department of Education, Office of Federal Student Aid, *IDR Portfolio by Age*, (accessed Sep. 16, 2026), <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/IDRPortfolio-by-Age.xls>, as archived at <https://perma.cc/ZMA9-BR4P> (calculated by summing borrowers column); U.S. Department of Education, Office of Federal Student Aid, (General) *Subject: Federal Student Aid Posts Updated Reports to FSA Data Center*, (Dec. 12, 2017), <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2017-12-12/general-subject-federal-student-aid-posts-updated-reports-fsa-data-center> (archived at <https://perma.cc/3VF7-N7W7>).

46 U.S. Government Accountability Office, *Report to the Chairman of the Committee on Education and Labor, House of Representatives: Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness*, (Mar. 2022), <https://www.gao.gov/assets/gao-22-103720.pdf> at p. 5, Table 1.

47 See Methodology section for additional information.

48 See Appendix D for underlying data. Interactive map available at Protect Borrowers Datawrapper, *State-by-state projections for number of borrowers subject to cancelled debt taxation*, (pub. Sep. 2026), https://www.datawrapper.de/_/NXNlu/.

49 See Figure 9.

50 See Figure 9.

51 IDR enrollee count from U.S. Department of Education, Office of Federal Student Aid, *IDR Portfolio by Location*, (accessed Aug. 21, 2026), archived at <https://perma.cc/U54L-BZ56>. Estimate of borrowers subject to cancelled debt taxation calculated using the same data, see Appendix A for more information and Appendix D for a 50-state tabulation. All figures here are rounded to the nearest hundred.

52 See Figure 10.

53 See following figure for underlying data. Population scaling data from U.S. Census Bureau, *Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia, and Puerto Rico: April 1, 2020 to July 1, 2025*, (accessed Sep. 2026), <https://www2.census.gov/programs-surveys/popest/tables/2020-2025/state/totals/NST-EST2025-POP.xlsx>. All figures here are rounded to the nearest hundred.

54 U.S. Internal Revenue Service, *Instructions for Forms 1099-A and 1099-C (04/2025)*, (Mar. 20, 2025), <https://www.irs.gov/instructions/i1099ac>; H&R Block, *Cancellation of debt: What is IRS Form 1099-C?*, (accessed Sep. 11, 2025), <https://www.hrblock.com/tax-center/irs/forms/1099c-cancellation-of-debt/>.

55 U.S. Census Bureau, *Figure FM-3. Average number of own children per family, via Current Population Survey, Annual Social and Economic Supplements, 2023*, (accessed Sep. 18, 2025), <https://www.census.gov/content/dam/Census/library/visualizations/time-series/demo/families-and-households/fm-3.pdf>.

56 U.S. Internal Revenue Service, *IRS releases tax inflation adjustments for tax year 2026, including amendments from the One, Big, Beautiful Bill*, (Oct. 9, 2025), <https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill>.

57 U.S. Internal Revenue Service, *How to update withholding to account for tax law changes for 2025*, (Sep. 10, 2025), <https://www.irs.gov/forms-pubs/how-to-update-withholding-to-account-for-tax-law-changes-for-2025>.

58 Student loan interest deduction eligibility criteria and formula derived from U.S. Internal Revenue Service, *Topic No. 456, Student loan interest deduction*, (Sep. 5, 2025), <https://www.irs.gov/taxtopics/tc456>; U.S. Internal Revenue Service, *IRS Publication 970 (2025)*, (accessed Apr. 13, 2026), <https://www.irs.gov/publications/p970> (see Table 4-2. Effect of MAGI on Student Loan Interest Deduction). Updated 2026 income

cutoffs from U.S. Internal Revenue Service, *Rev. Proc. 2025-32*, (accessed Aug. 19, 2026), <https://www.irs.gov/pub/irs-drop/rp-25-32.pdf> at p. 23.

59 Tax Foundation, *2026 Tax Brackets*, (Jan. 1, 2026), <https://taxfoundation.org/data/all/federal/2026-tax-brackets/>.

60 EITC eligibility and formula derived from 26 U.S.C. § 32 (2023), available at <https://www.govinfo.gov/content/pkg/USCODE-2023-title26/html/USCODE-2023-title26-subtitleA-chap1-subchapA-partIV-subpartC-sec32.htm>. Updated 2026 income and phaseout percentages from U.S. Internal Revenue Service, *Rev. Proc. 2025-32*, (accessed Aug. 19, 2026), <https://www.irs.gov/pub/irs-drop/rp-25-32.pdf> at p. 14-15.

61 U.S. Internal Revenue Service, *How to update withholding to account for tax law changes for 2025*, (Aug. 25, 2025), <https://www.irs.gov/forms-pubs/how-to-update-withholding-to-account-for-tax-law-changes-for-2025>.

62 U.S. Internal Revenue Service, *How to update withholding to account for tax law changes for 2025*, (Aug. 25, 2025), <https://www.irs.gov/forms-pubs/how-to-update-withholding-to-account-for-tax-law-changes-for-2025>; U.S. Internal Revenue Service, *Lesson: Miscellaneous Credits Workout*, (accessed Sep. 18, 2025), https://apps.irs.gov/app/vita/content/26s/26_01_010.jsp?level=basic (stating: “A nonrefundable credit can only reduce the tax liability to zero. ... Generally, nonrefundable credits are applied against federal tax in the order they are listed on Form 1040, Schedule 3, Nonrefundable Credits.”)

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64 Protect Borrowers, *Memo: How the “One Big Beautiful Bill Act” Will Raise Taxes for Thousands of Student Loan Borrowers*, (Nov. 2025), <https://protectborrowers.org/resource/memo-how-obbbba-will-raise-taxes-for-thousands-borrowers/>; Jennifer Zhang, *Tax Breaks for Billionaires, Tax Bombs for Borrowers: The “One Big Beautiful Bill” Slams Americans Who Earn Student Debt Cancellation with Thousands of Dollars in Additional Taxes Starting 2026*, Protect Borrowers, (Nov. 10, 2025), <https://protectborrowers.org/tax-breaks-for-billionaires-tax-bombs-for-borrowers-the-one-big-beautiful-bill-slams-americans-who-earn-student-debt-cancellation-with-thousands-of-dollars-in-additional-taxes-sta/>.

65 We inflation-adjust and round upward the CFPB finding that a majority of IDR enrollees had a household income of \$50,000 or less in 2022, which is equivalent to \$59,385 in 2026 dollars. See Consumer

Financial Protection Bureau, *Insights from the 2023-2024 Student Loan Borrower Survey*, (Nov. 2024), https://files.consumerfinance.gov/f/documents/cfpb_Insights-from-the-2023-2024-Student-Loan-Borrower-Survey_Report.pdf at p. 5 (stating: “16 percent [of borrowers surveyed] reported receiving debt relief through IDR. For these borrowers, 62 percent had a household income of \$50,000 or less, and only 12 percent reported a household income over \$80,000”); U.S. Bureau of Labor Statistics, *CPI Inflation Calculator*, https://www.bls.gov/data/inflation_calculator.htm.

66 Bachelor’s degree holders have an average salary of \$80,236. Figure derived from multiplying the median bachelor’s degree holder’s weekly earnings (\$1,543) by 52 weeks per calendar year. See U.S. Bureau of Labor Statistics, *Employment Projections: Education Pays*, (Aug. 28, 2025), <https://www.bls.gov/emp/tables/unemployment-earnings-education.htm> (archived at <https://perma.cc/9LJQ-86EV>).

67 U.S. Department of Education, Open Data Platform, *Approved Debt Relief by State: 01.15.25 Master Forgiveness State by State File.xlsx*, (last updated Jan. 16, 2025), <https://data.ed.gov/dataset/approved-debt-relief-by-state/resources?resource=6a1fab7a-f847-4419-8a78-72a7e8a113f3> as archived at <https://perma.cc/GLC6-JPE6> (additional dataset information archived at <https://perma.cc/W469-9FHA>). Note: The given “total” row in the spreadsheet does not align with computed totals. We therefore re-calculated totals for each column, and calculated the average IDR balance cancelled nationwide by dividing the outstanding balance column total by the borrower count total under the “borrowers identified for forgiveness under Income-Driven Repayment adjustment by location” section.

68 U.S. Department of Commerce, U.S. Census Bureau, *American Community Survey, 2024 ACS 1-Year Estimates Subject Tables, Table S1901: Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)*, (accessed Apr. 13, 2026), [https://data.census.gov/table/ACSST1Y2024.S1901?q=S1901&g=010XX00US\\$0400000](https://data.census.gov/table/ACSST1Y2024.S1901?q=S1901&g=010XX00US$0400000).

69 U.S. Department of Education, Open Data Platform, *Approved Debt Relief by State: 01.15.25 Master Forgiveness State by State File.xlsx*, (last updated Jan. 16, 2025), <https://data.ed.gov/dataset/approved-debt-relief-by-state/resources?resource=6a1fab7a-f847-4419-8a78-72a7e8a113f3> as archived at <https://perma.cc/GLC6-JPE6> (additional dataset information archived at <https://perma.cc/W469-9FHA>). Note: Average state-level IDR cancellation amounts calculated by dividing the outstanding balance by borrower count for each state, under the tabulation of “borrowers identified for forgiveness under Income-Driven Repayment adjustment by location.”

70 For average IDR cancellation amount per state, see *supra* note 69. For median household income per state, see *supra* note 68.

71 Protect Borrowers Datawrapper, *Projected Impacts of Taxing Cancelled Student Loan Debt*, (pub. Sep. 2026), https://www.datawrapper.de/_/gjV16/.

72 U.S. Department of Education, Office of Federal Student Aid, *IDR Portfolio by Location*, (accessed Aug. 21, 2026), archived at <https://perma.cc/U54L-BZ56>.

73 U.S. Department of Education, *Email: Biden-Harris Administration Announces Final Student Loan Forgiveness and Borrower Assistance Actions*, (Jan. 16, 2025), as archived at https://protectborrowers.org/wp-content/uploads/2025/01/IDR-AA-ED-Release-Email_01-16-2025.pdf.

74 U.S. Department of Education, Office of Federal Student Aid, *IDR Portfolio by Age*, (accessed Sep. 16, 2026), <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/IDRPortfolio-by-Age.xls>, as archived at <https://perma.cc/ZMA9-BR4P> (calculated by summing borrowers column). We use Q1 2025 for the period-end reference point as this was the quarter in which the Biden Administration published total IDR cancellation figures. See U.S. Department of Education, *Email: Biden-Harris Administration Announces Final Student Loan Forgiveness and Borrower Assistance Actions*, (Jan. 16, 2025), as archived at https://protectborrowers.org/wp-content/uploads/2025/01/IDR-AA-ED-Release-Email_01-16-2025.pdf.

75 *Ibid.*

76 U.S. Government Accountability Office, *Report to the Chairman of the Committee on Education and Labor, House of Representatives: Education Needs to Take Steps to Ensure Eligible Loans Receive Income-Driven Repayment Forgiveness*, (Mar. 2022), <https://www.gao.gov/assets/gao-22-103720.pdf> at p. 5, Table 1.

77 Median household income from U.S. Department of Commerce, U.S. Census Bureau, *American Community Survey, 2024 ACS 1-Year Estimates Subject Tables, Table S1901: Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)*, (accessed Apr. 13, 2026), [https://data.census.gov/table/ACSST1Y2024.S1901?q=S1901&g=010XX00US\\$0400000](https://data.census.gov/table/ACSST1Y2024.S1901?q=S1901&g=010XX00US$0400000). Average IDR cancellation amount per state calculated from U.S. Department of Education, Open Data Platform, *Approved Debt Relief by State: 01.15.25 Master Forgiveness State by State File.xlsx*, (last updated Jan. 16, 2025), <https://data.ed.gov/dataset/approved-debt-relief-by-state/resources?resource=6a1fab7a-f847-4419-8a78-72a7e8a113f3> as archived at <https://perma.cc/GLC6-JPE6> (additional dataset information archived at <https://perma.cc/W469-9FHA>).

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79 IDR enrollee count from U.S. Department of Education, Office of Federal Student Aid, *IDR Portfolio by Location*, (accessed Aug. 21, 2026), archived at <https://perma.cc/U54L-BZ56>. For additional column information, see Methodology section. Note: Minor data differences may exist between the number of IDR enrollees as stated by the *IDR Portfolio by Location* source and other datasets that organize enrollees by age or other criteria. These discrepancies reflect underlying discrepancies in data provided by the Department of Education.



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