TAX INFORMATION ON LOAN REPAYMENT PROGRAMS

1. IRS Publication 970 states the following regarding student loan repayment assistance programs "Student loan repayments made to you are tax free if you received them for any of the following:

   a) The National Health Service Corps Loan Repayment Program.
   b) A state education loan repayment program eligible for funds under the Public Health Service Act.
   c) Any other state loan repayment or loan forgiveness program that is intended to provide for the increased availability of health services in underserved or health professional shortage areas (as determined by such state).
   d) You cannot deduct the interest you paid on a student loan to the extent payments were made through your participation in the above programs."

2. Payments under certain state loan repayment programs.

   a) In the case of an individual, gross income shall not include any amount received under section 338B(g) of the Public Health Service Act, under a State program described in section 338I of such Act, or under any other State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas (as determined by such State).
   b) Under 26 U.S.C. § 3401(a) (19), state loan repayment program payments are also not considered to be "wages" and are therefore exempt from Federal employment tax (FICA).

3. Wages

   a) For purposes of this chapter, the term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for his/her employer, including the cash value of all remuneration (including benefits) paid in any medium other than cash; except that such term shall not include remuneration paid.
   b) For any benefit provided to or on behalf of an employee if at the time such benefit is provided it is reasonable to believe that the employee will be able to exclude such benefit from income under section 74(c), 108(f)(4), 117, or 132.