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**HOUSE BILL NO. 708**

Offered January 8, 2020

Prefiled January 6, 2020

A *BILL to amend the Code of Virginia by adding in Chapter 12 of Title 58.1 a section numbered 58.1-1218, relating to bank franchise tax credit for student loan refinancing.*

Patron—Rush

Referred to Committee on Finance

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Chapter 12 of Title 58.1 a section numbered 58.1-1218 as follows:**

**§ 58.1-1218. Credit against state tax for student loan refinancing.**

A. As used in this section:

"Forgiven principal" means, for all student loans refinanced by a bank, in the aggregate, including multiple loans consolidated into a single loan, the amount of principal outstanding before refinancing minus the amount of principal outstanding after refinancing.

"Interest reduction" means, for all student loans refinanced by a bank, in the aggregate, including multiple loans consolidated into a single loan, the amount of interest outstanding before refinancing minus the amount of interest outstanding after refinancing.

"Refinancing expenses" means forgiven principal plus interest reduction.

"Student loan" means a privately held student loan. "Student loan" does not include a loan held by the federal government.

B. For purposes of calculating interest reduction for a fixed rate loan, the total amount of interest over the loan term shall be averaged annually using the rate that applies to the loan. For purposes of calculating interest reduction for a variable rate loan, the total amount of interest over the loan term shall be averaged annually using the highest rate that could apply to the loan under the terms of the loan contract.

C. For taxable years beginning on and after January 1, 2020, any bank shall be allowed a nonrefundable credit against the tax imposed pursuant to §§ 58.1-1202 and 58.1-1204 in the amount of 20 percent of refinancing expenses. No credit shall be allowed under this section against the taxes imposed pursuant to §§ 58.1-1208, 58.1-1209, and 58.1-1210.

INTRODUCED

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