

House Bill 130

By: Representatives Jasperse of the 11th, Evans of the 57th, Powell of the 33rd, Wilkerson of the 38th, Carpenter of the 4th, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia
2 Annotated, relating to the Georgia Student Finance Authority, so as to provide a short title;
3 to provide for the establishment and administration of the Pay As You Earn Education
4 Program; to provide for the calculation and repayment of such loans; to provide for eligibility
5 and disqualifications; to amend Code Section 48-7-27 of the Official Code of Georgia
6 Annotated, relating to computation of taxable net income, so as to provide for a deduction;
7 to provide for related matters; to repeal conflicting laws; and for other purposes.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

9 **SECTION 1.**

10 Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia Annotated,
11 relating to the Georgia Student Finance Authority, is amended by adding a new subpart to
12 read as follows:

"Subpart 13

20-3-494.1.

This subpart shall be known and may be cited as the 'Pay As You Earn Education Program Act.'

20-3-494.2.

As used in this subpart, the term:

(1) 'Beginning date of a postsecondary course of study' means the first day of postsecondary classes attended by a student for credit toward an associate's degree or baccalaureate degree. In the case of a program that includes undergraduate studies and is designed for completion within five years, the first day of such classes for credit in such a program shall be the beginning date of a postsecondary course of study, whether the program leads to a baccalaureate degree or a first professional degree. Advanced placement classes or classes attended under a program of joint or dual enrollment in a high school and a postsecondary institution shall not establish the beginning date of a postsecondary course of study.

(2) 'Cost of attendance' of a student means the cost of tuition and all applicable fees.

(3) 'Eligible high school' has the same meaning as set forth in Code Section 20-3-519.

(4) 'Eligible postsecondary institution' means:

(A) An institution of the University System of Georgia that offers associate's degrees, baccalaureate degrees, or first professional degree programs; or

(B) An institution of higher education located in this state that offers associate's degrees, baccalaureate degrees, or first professional degree programs; that is accredited by a regional accrediting agency recognized by the United States Department of Education; that is not a Bible school or college; that admits as regular students only persons who have a high school diploma, a high school equivalency (HSE) diploma, or

a degree from an accredited postsecondary institution; and whose students are eligible to participate in the federal Pell Grant program.

(5) 'First professional degree' means a degree that qualifies a graduate to practice a profession and was earned through a first professional degree program.

(6) 'First professional degree program' means a professional degree program that meets the requirements established by the program regulations promulgated by the Georgia Student Finance Commission which, at a minimum, shall include, but not be limited to, the following:

(A) Accepts students after completion of their sophomore or junior year; and

(B) Results in the award of a first professional degree.

(7) 'Pay As You Earn Education Program' or 'PAYE Education Program' or 'program' means the student loan program established in this subpart.

(8) 'PAYE loan' means a student loan provided in accordance with the provisions of this subpart.

20-3-494.3.

(a) The authority is authorized to provide a program of direct loans to students who are legal residents of this state and who are not ineligible under Code Section 20-3-494.7 in accordance with the provisions of this subpart and regulations of the authority promulgated to implement this subpart.

(b) All public eligible postsecondary institutions shall participate in the Pay As You Earn Education Program and any private eligible postsecondary institutions that elect to do so may participate in the Pay As You Earn Education Program. Private eligible postsecondary institutions shall notify the authority of their desire to participate in the program in a manner determined by the authority.

(c) A student who desires to participate in the PAYE Education Program shall apply to the authority in a manner determined by the authority and shall demonstrate that such student:

64 (1) Is a graduate of an eligible high school;

65 (2) Has been accepted to a public eligible postsecondary institution or a participating
66 private eligible postsecondary institution;

67 (3) In the case of a graduate student, has received a baccalaureate degree from an
68 accredited college or university; and

69 (4) Has not previously participated in the PAYE Education Program at any other eligible
70 postsecondary institution.

71 (d) Participation in the program shall include at least 1 percent of the incoming freshman
72 class each year at the participating eligible postsecondary institution. The participating
73 eligible postsecondary institution shall determine the number of students in excess of
74 1 percent that shall be allowed to participate in the program.

75 (e) A student accepted into the program shall agree in writing to the provisions of the
76 program, including the repayment provisions of this subpart.

77 20-3-494.4.

78 (a) A student who is accepted to participate in the Pay As You Earn Education Program
79 shall be required to pay \$1,000.00 each year toward the student's cost of attendance. The
80 participating eligible postsecondary institution shall provide the remaining funds in the
81 form of a payment plan based upon the future earnings of the student for a period of 15
82 years after the student's graduation. The institution at which the student is enrolled shall
83 forward to the authority annually a report for each student enrolled at such institution who
84 is participating in the PAYE Education Program which shall contain the actual cost of
85 attendance for such student and any credits toward such cost of attendance applied by the
86 institution, including the student's payment of \$1,000.00 as provided in this subsection.
87 Tuition equalization grant funds for the student and HOPE scholarship funds and all other
88 scholarship funds received by the student and paid to the participating eligible

postsecondary institution shall be credited to the student's cost of attendance. The remaining sum shall be the amount of the PAYE loan to the student for each year.

(b) A student participating in the PAYE Education Program shall not be eligible for remedial courses at the eligible postsecondary institution. Any required remedial courses shall be completed before the student shall be eligible for participating in the PAYE Education Program.

(c) An undergraduate student participating in the program shall be required to obtain a baccalaureate degree within four years of the beginning date of a postsecondary course of study or such student's first professional degree within five years of the beginning date of a postsecondary course of study.

20-3-494.5.

(a) In the case of an undergraduate student, upon receiving a baccalaureate degree or first professional degree, and in the case of a graduate student, upon receiving such graduate degree, a student participating in the PAYE Education Program shall begin paying 3 percent of his or her federal annual adjusted gross income as shown by annual federal income tax returns to the eligible postsecondary institution from which the student received the degree under the PAYE Education Program. The authority shall by rule and regulation promulgate procedures for the payment of these funds.

(b) Such payments shall continue for a period of 15 years following the receipt by the student of his or her degree as provided in subsection (a) of this Code section; provided, however, that a student may alternatively elect to repay the actual total amount of funds loaned to the student under the program which shall be the cost of attendance less any other scholarships or grants credited to the student's cost of attendance plus 3 percent simple interest on such funds. If the student elects the alternative payment method, such payment shall be completed in not more than ten years following, in the case of an undergraduate

student, the receiving of such baccalaureate degree or first professional degree, and in the case of a graduate student, the receiving of a graduate degree.

(c) Prior to receiving a baccalaureate or first professional degree, if an undergraduate student ceases to be a student for three consecutive semesters or four consecutive quarters at the eligible postsecondary institution at which the student participated in the PAYE Education Program or, prior to receiving the graduate degree sought when enrolling in the program, a graduate student ceases to be a student for three consecutive semesters or four consecutive quarters at the eligible postsecondary institution at which the student participated in the PAYE Education Program, the PAYE loan shall become immediately due and repayment shall begin as provided in subsection (b) of this Code section.

20-3-494.6.

(a) A private eligible postsecondary institution that participates in the PAYE Education Program as provided in this subpart shall be allowed a tax credit of \$1,000.00 for each student enrolled in the institution who is participating in the PAYE Education Program each year. Such tax credit may be applied by the institution toward the institution's tax liabilities for state income taxes, sales taxes, and property taxes for the year in which such credit is allowed.

(b) The funds paid by a student in repaying the PAYE loan under this subpart shall be a permitted deduction from such student's federal adjusted gross income as defined in the United States Internal Revenue Code of 1986 in computing such student's Georgia taxable net income.

20-3-494.7.

A student shall not be eligible for any PAYE loan described in this subpart if the student:

(1) Is not a United States citizen or a permanent resident alien who meets the definition of an eligible noncitizen under federal Title IV requirements;

(2) Has not complied with United States Selective Service System requirements for registration, if such requirements are applicable to the student;

(3) Is in default on a federal Title IV educational loan or a State of Georgia educational loan, provided that a student who is otherwise eligible and has fully repaid the defaulted loan will be eligible to obtain a PAYE loan for future academic terms but not retroactively;

(4) Owes a refund on a federal Title IV student financial aid program or a Georgia student financial aid program, provided that a student who is otherwise eligible and has fully paid the refund owed shall be eligible to obtain a PAYE loan for future academic terms but not retroactively;

(5) Has been convicted of a felony offense involving marijuana, a controlled substance, or a dangerous drug as set out in Code Section 20-1-23 or 20-1-24, provided that such ineligibility extends from the date of conviction to the completion of the next academic term;

(6) Is incarcerated; or

(7) Does not meet each qualification listed in this subpart and applicable to the student."

SECTION 2.

Code Section 48-7-27 of the Official Code of Georgia Annotated, relating to computation of taxable net income, is amended in subsection (a) by striking "and" at the end of paragraph (14), by replacing the period with "; and" at the end of paragraph (15), and by adding a new paragraph to read as follows:

"(16) The deduction provided for in Code Section 20-3-494.6."

SECTION 3.

All laws and parts of laws in conflict with this Act are repealed.