

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 5204
OFFERED BY MR. BRADY OF TEXAS**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Stop Taxing Death
3 and Disability Act”.

**4 SEC. 2. TREATMENT OF STUDENT LOANS DISCHARGED ON
5 ACCOUNT OF DEATH OR DISABILITY.**

6 (a) AMENDMENTS TO INTERNAL REVENUE CODE OF
7 1986.—

8 (1) IN GENERAL.—Section 108(f) of the Inter-
9 nal Revenue Code of 1986 is amended by adding at
10 the end the following new paragraph:

11 “(5) DISCHARGES ON ACCOUNT OF DEATH OR
12 DISABILITY.—

13 “(A) IN GENERAL.—In the case of an indi-
14 vidual, gross income does not include any
15 amount which (but for this subsection) would
16 be includible in gross income by reasons of the
17 discharge (in whole or in part) of any loan de-

1 scribed in subparagraph (B) if such discharge
2 was—

3 “(i) pursuant to subsection (a) or (d)
4 of section 437 of the Higher Education
5 Act of 1965 or the parallel benefit under
6 part D of title IV of such Act (relating to
7 the repayment of loan liability),

8 “(ii) pursuant to section 464(c)(1)(F)
9 of such Act, or

10 “(iii) otherwise discharged on account
11 of the death or total and permanent dis-
12 ability of the student.

13 “(B) LOANS DESCRIBED.—A loan is de-
14 scribed in this subparagraph if such loan is—

15 “(i) a student loan (as defined in
16 paragraph (2)), or

17 “(ii) a private education loan (as de-
18 fined in section 140(7) of the Consumer
19 Credit Protection Act (15 U.S.C.
20 1650(7))).”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by this section shall apply to discharges of indebted-
23 ness after December 31, 2016.

24 (b) AMENDMENT TO THE HIGHER EDUCATION ACT
25 OF 1965.—Section 437(d) of the Higher Education Act

1 of 1965 (20 U.S.C. 1087(d)) is amended by inserting “or
2 becomes permanently and totally disabled (as determined
3 in accordance with regulations of the Secretary), or if the
4 student is unable to engage in any substantial gainful ac-
5 tivity by reason of any medically determinable physical or
6 mental impairment that can be expected to result in death,
7 has lasted for a continuous period of not less than 60
8 months, or can be expected to last for a continuous period
9 of not less than 60 months” after “dies”.

