

Fact Sheet #6 for War Tax Resistance Counselors

Student Loans, Debt and War Tax Resistance

“Because of student loans, an entire generation is chained to a system we can’t even find the time to dismantle because we have been promised that if we pay our loans on time for 20 years we will be forgiven. So we keep going back to work, chipping away at the stone.”

— Erica Brock, *The Catholic Worker*, Aug.-Sept. 2016

War tax resistance is a tough choice for many young people today no matter how strongly they want to refuse to pay for war, refuse to support The State in any form, or protest all manner of misguided priorities of the U.S. government.

- About 70% of college students graduate with a significant amount of loans.
- In 2018, the average student loan borrower had over \$22,600 in loans.
- Nearly 50% of college students drop out before earning a degree; they are four times more likely than graduates to default on their federal loans.
- Over 43 million Americans hold nearly \$1.4 trillion in student debt, or, put another way, about one in four adults hold student loan debt.
- About 92% of private undergraduate student loans for the 2017-18 academic year included a co-signer, usually parents or a close relative.
- Three-quarters of those with student loan debt report feeling stressed about it every day.

These facts tell war tax resistance organizers something about why this form of resistance may be difficult for a new generation. Questions about WTR and student loan debt began hitting our network in the early 2000s. Even the most conscientious war resisting young person questions taking on tax debt on top of loan debt, and living at a low income means that the interest on the debt will keep adding up if they can’t afford to make the payments on their loans. As Erica Brock notes in the quote above, these young people are chained to the system.

Resistance minded debtors also have other complications, which add to the stress of holding large debt. Roughly 90% of these loans are co-signed by a parent or other close relative, so if the student borrower defaults, the bill goes to the co-signer. In the last decade the number of student loan debtors over age 60 has quadrupled from 700,000 in 2005 to 2.8 million by

2015, and the average amount owed has doubled to \$23,500. Social Security checks are routinely garnished for this debt.

[WTR counselors are also asked questions from resisters whose kids are applying for college or the resister wants to go back to school, and they wonder how their tax resistance will affect student loan applications. NWTRCC has a separate fact sheet on student financial aid.]

Not Paying Has Risks

The quandary for a conscientious person who wants to refuse and redirect taxes but holds student loan debt is not easily answered. While there are many programs and payment plans that are supposed to ease the burden for debt holders, payment against the debt is required to prevent defaulting on the loan. It’s not easy to be a low income war tax refuser with thousands of dollars in debt hanging over your head (or that of your co-signer), and, having an income means facing the tax dilemma.

Holding student loans also pushes individuals into the tax system. The federal government allows people with student debt to claim a deduction when/if they file taxes (Line 33 of Schedule 1, with a worksheet in the instructions booklet). The contracted agency overseeing and monitoring the student debt sends the borrower a document detailing the interest and amount paid for the year for tax filing purposes.

- the deduction is for the amount of student loan interest paid during the tax year;
- it’s not an itemized deduction but an adjustment to income;
- there is a maximum yearly cap to the deduction (\$2,500);
- the deduction phases out if you have a high modified adjusted gross income.

(See IRS Publication 970 for details on the deduction or read the 1040 instruction booklet for Schedule 1, Line 33.)

The government or loan holder does offer many types of payment plans, including plans for those with a low income. Many of these programs have complex rules that must be carried out precisely; the news has been full of stories of people who thought their loan would be forgiven after a certain period of time (often 20 years) only to find that the company said they didn’t follow all the steps required. Often the loan holder’s employees don’t know the rules and give the debtor conflicting advice.

Some debt holders say they make occasional payments when they can, which may be enough to keep the collectors at bay for a while. However, if you're 270 days late, your loan goes into default.

The federal government owns the vast amount of student loans. If a loan goes into default, the government can:

- collect by withholding money from an income tax refund and other federal payments, such as social security, under the Federal Payment Levy Program (FPLP);
- collect by garnishing wages (15% of pay after deductions);
- send the debt to a private collection agency who takes over the collection efforts. The government has about 18 collection agencies that they contract out to.

Other consequences if a loan goes into default include:

- your credit score takes a big hit, and some employers check credit before hiring*; war tax resisters have experience and knowledge about living with bad credit.
- professional licenses can be rescinded, cutting the source of income that could help them arrange payments; 20 states suspend people's professional or driver's licenses if they fall behind on loan payments (see the internet for stories from nurses and others);
- being sued by the debt holder, which is more likely with privately held loans.

Most of these collection steps are familiar to war tax resisters, and with each step the individual can appeal and try to make a new arrangement. For those who are thinking there might be a way out by declaring bankruptcy, Congress removed dischargeability for student loans in 1998 except for the most extreme hardship cases.

There is a significant amount of media coverage about the burdens of student debt and widespread calls for forgiving the debt. One reason for the mainstream attention to this is because of the effect on the economy when young people graduate and cannot afford to marry, buy a home, and jump into the consumer economy. WTRs will have mixed opinions about whether this is good or bad, but for the capitalist mindset growing consumers is what it's all about. Some of the campaigns to forgive student debt are listed under "Resources."

In addition, some employers are offering contributions toward an employee's student loan debt as part of their benefits package. With low unemployment, employers seem to have some incentive to be more generous, but there is also an awareness that debt burden adds to an employee's stress. Employers are also seeing less incentive to save for retirement when an individual is trying to pay off debt. In August 2018, the IRS issued a "private ruling" that authorized one employer to establish a new sort of 401(k) plan in which the employer matches

student loan payments by an employee with contributions to the employee's 401(k) plan (studentloanhero.com/news/irs-ruling-401k-student-loan). This limited ruling could expand as more employers hear about this option or more people with student loan debt ask their employers to extend their current 401(k) programs in this way.

War Tax Resistance Counseling

As WTR counselors, we need to learn more about the ins and outs and details of student loan debt. While we are clear about how to solve the problem — take the money from the military and fund free higher education or specialized training to everyone who wants it — counseling about WTR is more complicated. For many it will involve a long conversation with the individual just to

- understand how this debt is held,
- what they are doing about it currently,
- how they live and hope to live,
- whether they are considering defaulting on the loan,
- what they see as their choices about taxes.

What are some resistance options?

- Be active in the WTR movement even if you feel you can't resist right now; join tax day actions and demand cuts in the military budget in any way you can.
- If you take a salaried job, when you file your W-4, be sure to take enough allowances so that you won't have taxes withheld, thus giving the feds an interest-free loan during the work year.
- For someone "in the system," in a salaried job, consider a low level of resistance (\$5, \$10?) as a protest if you owe federal taxes at the end of the year.
- Live outside the system; not filing, earning under-the-table income or spreading income out among many sources as a freelancer and being willing to quit jobs if the IRS comes calling
- Leave the country and work abroad to avoid making a taxable income from the U.S.
- Resist income taxes to the fullest amount you choose with the understanding that you may be adding to debt.
- Practice frugal/simple living as a resistance option. If you intensify your frugality, you can direct more of your income to the student loan debt, potentially paying it off sooner and paying less interest. By the time it's paid off you will also be well-practiced at low-income living and can put low-income WTR into practice.

In all cases one has to think long-term and beyond the individual debtor. There is no statute of limitations on student loan debt, so debt from decades past can still be seized from Social Security (if the individual also has a tax debt, it takes priority and is collected first). If there are co-signers, they will be responsible for a debt that goes into default.

* Some states and cities have passed laws against pre-hire credit checks; search the internet to check local laws.

Real Life Stories

“My student loans are all held by the federal government. They were separate and each with different interest. Then with the option to consolidate, I did that but the payments are still just a dent against the principal. I got the few months grace period on graduation. Now I work for a nonprofit, and you can do pay-as-you-earn and eventually have the rest of the loan forgiven, but has to be over 10 consecutive years, so you have to stay with one job. The interest is transparent but it is all daunting. Despite all that, I want to be a resister to the federal government, refusing taxes but also not wanting to give money of any sort to the feds. So I’m also considering what it would mean to stop paying on the loans. I recently found out about a scholarship program where a decent portion of my debt can be forgiven. I’m not guaranteed to get it but I’ll be applying. The remaining portion I’d like to resist in some sort of format.” — S.L., age 29

“My student debt is from returning to school as an older person 11 years ago. I have a low income as a licensed therapist and could not afford more than interest payments. I also have tax debt as a war tax resister. I haven’t made a loan payment in a number of years. The loan holder calls pretty often to offer an ‘income sensitive payment plan,’ but I haven’t done this yet. I know that they check with the IRS to set that up so I didn’t know if they would connect my tax resistance somehow. I’m also getting close to an age where I can take Social Security, but I’m trying to put that off because I know that the government can collect from that both for taxes and for the loan.” — T.M., Age 68

[The IRS has a debt priority policy and would collect the tax debt first and then move on to the loan; they do not garnish for both at the same time.]

“The U.S. Department of Education has come knocking. Despite my letters attesting otherwise the Department if convinced I owe \$46,476.23 in principal, \$4,925.25 in interest and \$12,511.12 in fees and costs. They have now sent a grand total of \$63,912.60 to a private collection agency. ...So here I am. To be fair, here we are. I’m not the only millennial with crippling student loan debt. I’m also not the only one who is in default. I am, however, at least as far as I know, one of the few actively resisting this debt. Sure, there was a Vice article not too long ago about people from the US moving to Berlin to escape student loan debt and those folks from Occupy who are probably still resisting their loans. But otherwise I haven’t heard much.”

— Erica Brock, “The Catch-22 of Student Debt,”
The Catholic Worker, Aug.-Sept. 2016

Feb. 2019 update from Erica Brock: *“I am still resisting my debt. I refuse to pay it and have moved out of the country in large part due to that incredible amount of debt.”*

Resources

An internet search quickly reveals hundreds of articles about student debt, including the latest statistics, how it is collected, options for payment plans, etc. Here are some other resources relevant to activists and WTRs.

Debt Resisters Operations Manual (2012)
strikedebt.org/The-Debt-Resisters-Operations-Manual.pdf

strikedebt.org - not current but still useful info about all kinds of debt.

Debt Collective — debtcollective.org

3 activist groups: Higher Ed, Not Debt — higherrednotdebt.org; **Student Debt Crisis** — studentdebtcrisis.org; **Student Loan Justice** — studentloanjustice.org

Federal Payment Levy Program (FPLP)
irs.gov/businesses/small-businesses-self-employed/federal-payment-levy-program

Debt Priorities and Social Security
secure.ssa.gov/poms.nsf/lnx/0202410305

IRS Publication 970, Tax Benefits for Education
irs.gov/forms-pubs/about-publication-970
Chapter 4, Student Loan Interest Deduction: defines student loan interest, qualifying for a deduction, steps to figure and claim the deduction. Updated for relevant tax law changes.

From NWTRCC

Practical #1, **Controlling Federal Tax Withholding**
For information about filling out the W-4 form.

Practical #5, **Low Income/Simple Living as War Tax Resistance**

Read online at nwtrcc.org/war-tax-resistance-resources/pamphlets, or order print copies from our store: nwtrcc.org/store.

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