TPD Federal Student Loan Discharge:
Tax & Health Insurance Considerations

Should you discharge your student loans because of a Total and Permanent Disability (TPD)? That is a big and permanent decision. A TPD discharge could have tax and health insurance consequences for you and others in your household.

Loans discharged through TPD are considered a type of income by the IRS. Choosing a TPD discharge could mean that you have to file a tax return when you otherwise would not be required to file. A TPD discharge could also increase the taxes you owe. If you file taxes with another person, a TPD discharge could affect them, too. You might want to talk with a tax professional about these issues before applying for a TPD discharge.

TPD discharges can also affect eligibility for certain types of medical insurance and could change how much you pay for insurance. Loans discharged through TPD count as taxable income. Such a change to your income could affect:

- How much tax you owe
- Your eligibility for Medicaid (for some people)[1]
- Eligibility for Medicaid or the Children's Health Insurance Program for other people in your household
- How much you and others in your household pay for health insurance bought through health care exchanges (sometimes called "marketplaces" or "Obamacare exchanges")
- How much you pay in copays or other cost sharing

Health insurance rules can be different in different states, so you should talk with a trained health insurance navigator in your state before applying for a TPD discharge. You can find trained navigators at https://localhelp.healthcare.gov/ and disability specific help from the National Disability Navigator Resource Collaborative.

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[1] If you get Medicaid because you receive Supplemental Security Income / SSI, your Medicaid eligibility will not be affected.