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President

February 19, 2003

Dear Member of Congress:

The Council of Graduate Schools represents over 450 universities in the United States. Our institutions award annually over 95 percent of all doctorates and approximately 70 percent of all master's degrees earned in the United States.

On behalf of CGS member institutions, I am writing to ask for your support for a more favorable tax treatment of graduate students who receive fellowships, assistantships and traineeships.

Under current law, funding derived from fellowships, assistantships and traineeships, used for living expenses, including room and board, are not excludable from income and are, therefore, taxable under the Internal Revenue Code. This treatment applies to all forms of assistance awarded to graduate students, including those programs administered by the Department of Education, the National Institutes of Health and the National Science Foundation. Funding received by graduate students and used for the payment of tuition and required fees, books, supplies, and equipment are excluded from gross income under Section 117 of the Internal Revenue Code. The Council recommends eliminating this two-tier, uneven treatment of graduate students.

The precedent for favorable tax treatment has already been established. For example, under Section 529, favorable treatment is provided for qualified higher education expenses (including room and board) for amounts withdrawn from a Coverdell education savings account.

The Council of Graduate Students supports legislation that will eliminate the two-tier tax treatment and provide that amounts received by graduate students as part of a fellowship, assistantship and traineeship be excluded from income if used for qualified higher education expenses.

Thank you for your consideration of this proposal. Please contact Lance Pressl, Ph.D., Vice President for Federal Relations and Public Affairs with any question regarding the position of the Council of Graduate Schools. Dr. Pressl can be reached by calling the Council's office at 202.223.3791.

Sincerely,

A handwritten signature in black ink, appearing to read 'Debra W. Stewart', is written over a horizontal line.

Debra W. Stewart

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#### AFFILIATES

Conference  
of Southern  
Graduate Schools

Northeastern  
Association  
of Graduate Schools

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of Graduate Schools

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of Graduate Schools