



National Coalition of Graduate Students For An Affordable and Accessible Education ANNUAL NAGPS LOBBY DAY – November 6, 2003

Fact Sheet - Tax Relief for Higher Education

PROPOSAL

- Graduate students from across the country ask for legislation that would fully or partially return graduate scholarships to their former Federal tax-exempt status.

FACTS IN BRIEF

- Graduate students lose approximately \$100-200 a month from their stipends to Federal income tax. (Source: Natl Assn of Graduate-Professional Students)
- Graduate students accumulate on average \$40,000 in graduate and undergraduate debt. These debts are well above the level considered unduly burdensome, and represent a major threat to the future of the American scientific and creative workforce. (Sources: US Dept of Education, Nellie Mae)
- Expansion of academic research is necessary for the USA's continued economic development. More work in scholarly disciplines such as languages and history is also needed for national security.
- The proposal sends the message that higher education is a priority for the Federal government, thus driving more students into post-baccalaureate study and future contributions to the economy.
- For these same reasons, most states and cities do not tax students.
- A large portion of scholarship money comes from Federal grants and programs. Funding agencies by taxing the awards those agencies grant is inefficient. (Source: National Science Foundation)
- Under our proposal, existing Federal programs such as the NSF Fellowships and National Health Service Corps would be able to support more students and better fulfill their missions.
- Student debt has been identified by both our national organizations and Federal agencies as a serious problem, and yet under the current system, many students must take out further loans to meet their financial obligations. (Sources: ED, NSF, NAGPS, AAMC, and many others)

POLICY HISTORY

- Graduate student stipends were fully tax-exempt prior to 1986.
- Room and board expenses (the principal use of stipends) are considered tax-exempt educational expenses when drawn from state tuition savings accounts (26 USC 529).
- Room, board, transportation, computer purchases, and similar expenditures are considered part of the "cost of attendance" at a university (Higher Education Act, 20 USC 1087LL).

FISCAL IMPACT

- The fiscal impact of changing this policy would be insignificant since there are fewer than 500,000 students who would be affected.
- A student who earns a doctorate will pay over \$150,000 more in federal income tax over a lifetime than would a student with a bachelor's degree, recouping the government's investment. (Ernst & Young)

CONTACTS:

Alik Widge
Legislative Concerns Chair
National Association of Graduate-Professional Students
412-268-3866 (office), 412-519-6227 (mobile)
lcc@nagps.org

Jackie Tyson
Executive Director
National Association of Graduate-Professional Students
1-888-88-NAGPS
execdir@nagps.org