



April 11, 2019

The Honorable Chuck Grassley
Chairman
Senate Committee on Finance
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
Washington, DC 20510

The Honorable Richard E. Neal
Chairman
House Committee on Ways and Means
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Committee on Ways and Means
Washington, DC 20515

Chairman Grassley, Chairman Neal, and Ranking Members Wyden and Brady:

On behalf of our respective organizations, we submit this letter to shed light on an issue that greatly impacts students across the country.

Scholarship America and the National Scholarship Providers Association (NSPA) together represent over 500 scholarship providers and 1,400 corporate, foundation, and philanthropic partners. Annually, our organizations deliver over \$5.2 billion in private financial aid making higher education more affordable to more than 1.1 million students.

Financial aid plays a key role when students and their families are deciding whether a higher education degree or certificate is affordable and achievable. The impact of a scholarship strengthens access to a postsecondary education only if students can utilize its full intended benefits. **For that reason, we ask that Congress amend the Internal Revenue Code to ensure scholarships and grants are once again entirely tax-free.**

Currently, scholarships and grants applied toward tuition, fees, books, and supplies are exempted from taxes, whereas, room and board and other education-related costs are taxable. Living costs are more than half of the full cost of attendance — as defined in the Higher Education Act of 1965 — and aid applied to such expenses is considered unearned income. The taxability of scholarships means that working students from low- and middle-income families, who can least afford it, are impacted most. Typically, scholarships are disbursed directly to an institution and rarely reach a student's bank account. Students do not have the money to pay taxes on the scholarships they receive. **Therefore, the tax code should not burden students who have worked hard to earn their scholarships and grants.**

This tax liability also extends to federal grants, state aid and institutional aid. For example, the Federal Pell Grant serves as the marker of college affordability to millions of American students and is the most effective tool for meeting our nation's workforce development needs — particularly in rural regions of our country. In Alabama and Mississippi, for instance, Federal Pell Grant recipients earned nearly 52% of all career and technical education credits at community colleges and 36% of the University of Alabama graduates hired by Mercedes Benz in 2015-16 were Federal Pell Grant recipients. In some states, scholarships and federal grants are the only types of need-based aid available to students and, thereby, have an enormous impact on enrollment and completion rates. For scholarship recipients receiving \$10,000 or more, the six-year bachelor's degree attainment rate is 85%, compared to 55% for students who do not receive a scholarship. Attainment rates for four-year bachelor's degrees are 52%, compared to 28% for non-recipients.

Lastly, we believe that by eliminating the tax on scholarships and grants, Congress will enable scholarship providers as well as corporations, foundations, and philanthropy to make additional investments in higher education to address the full cost of attendance. Scholarships and grants are the antidote to student loan debt.

We look forward to working with Members of the Senate Committee on Finance, the House Committee on Ways and Means, and your staffs to ensure that students benefit from the full impact of their student aid. Please contact Kalwis Lo at KLO@scholarshipamerica.org with any questions. We thank you for your careful consideration of this important issue.

Sincerely,



Robert C. Ballard
President and CEO
Scholarship America



Jackie Bright
Executive Director
National Scholarship Providers Association