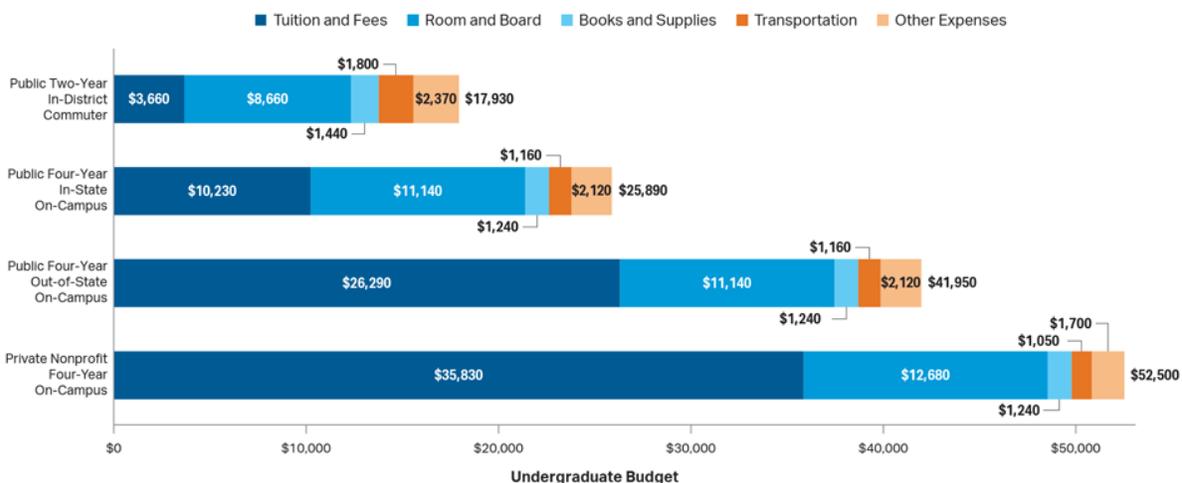


Scholarships may be taxable? Say it isn't so!

Every dollar should count toward a student's education and career training. That is why Scholarship America is leading a national effort to educate communities and Congress about the need to make scholarships and grants tax-free beyond tuition, fees, books and supplies. We have a college completion crisis in America, and our tax laws are not helping students access the full support they need to stay in college and succeed.

Students put in a great deal of work to apply and successfully secure scholarships, yet they may not receive all the benefits intended of their award. Unfortunately, [a scholarship is the only form of charity where the recipient can be taxed](#). Scholarships and grants used on costs such as tuition, fees, books and supplies are **tax-free**. Scholarships and grants that apply toward other necessary college expenses including housing, food, transportation, and childcare, are **taxable**.

But wait, aren't living expenses a big part of college expenses? Yes, as we know, housing expenses alone are a large and ever-growing part of the cost to attend college these days. According to The College Board, [2018-19 undergraduate living expenses](#) make up over half of all college expenses – and for students attending community colleges, living expenses make up more than 70 percent of the cost to attend.



Has it always been this way? In short, no.

From 1954 to 1980, scholarships, grants and fellowships were completely tax-free; including amounts used for tuition & fees, textbooks, equipment, travel and research. According to nationally recognized financial aid expert, Mark Kantrowitz, who has written extensively about the [taxability of scholarships](#) [the tax-free status of scholarships](#), grants and fellowships was essentially unlimited. That changed in 1984 when the perspective changed in Congress and scholarships were viewed as a form of compensation, not a form of generosity. These changes not only affected the vast majority of all private scholarships, but also state grants, institutional grants, scholarship and fellowship programs, the Federal Pell Grant program and more.