



April 21, 2020

The Honorable Richard Neal  
Chairman  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Kevin Brady  
Ranking Member  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Charles Grassley  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

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

**RE: Preventing Taxation of CARES Act Emergency Student Financial Aid Grants**

Dear Chairman Neal, Ranking Member Brady, Chairman Grassley, and Ranking Member Wyden:

On behalf of the American Council on Education and the undersigned higher education associations, I am writing today to urge you to take action in the so-called Phase 4 COVID-19 response legislation to ensure that the emergency student financial aid grants authorized by the CARES Act are not subject to taxation.

As you may recall, we recently sent you a letter, dated April 9, with a comprehensive list of tax priorities that are intended to support students and institutions of higher education in the Phase 4 relief package, including calling for suspension of taxability of all scholarship and/or grant aid. In the last week, we've increasingly become concerned about the potential taxability of the CARES Act emergency student aid grants and the harm that taxing these grants would do to the very students they are intended to help.

Section 18004 of the CARES Act authorized the Higher Education Emergency Relief Fund, which allocates approximately \$12.5 billion to institutions through the Title IV student financial aid distribution system. At least 50 percent of those funds (or \$6.279 billion) awarded to institutions must be used "to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care)."

Unfortunately, under Sec. 117 of the Internal Revenue Code (26 U.S.C. § 117), scholarship or grant aid not spent on "qualified tuition and related expenses" is potentially subject to taxation. As a result, we fear that students who spend this emergency grant aid to help cover permitted essential, non-qualified "tuition and related expenses" will later be taxed on that aid. In addition, because the Department of Education has clarified that these funds must first go to the students as cash grants, we believe that even grant awards that a student uses to make a tuition payment could also be taxable. Taxing this emergency aid would undermine the benefit of the grants to students and negate the intent of Congress in authorizing the aid to help the most vulnerable students. We believe that this is an unintended consequence.

It appears that the Treasury Department does not believe it has the statutory authority on its own to exclude this grant aid from taxability. That means it is critical for Congress to act swiftly to pass legislation making the necessary statutory changes to ensure that such awards will not be counted as taxable income.

For this reason, in addition to our comprehensive list of tax priorities that we previously wrote to you about, we ask you to address this issue in the Phase 4 COVID-19 response legislation to make sure emergency financial aid grants to students for non-qualified tuition and related expenses as authorized in the CARES Act will not be taxed.

Thank you for your attention to this important matter.

Sincerely,



Ted Mitchell  
President

On behalf of:

Achieving the Dream  
ACPA-College Student Educators International  
American Association of Colleges for Teacher Education  
American Association of Collegiate Registrars and Admissions Officers  
American Association of Community Colleges  
American Association of State Colleges and Universities  
American College Health Association  
American Council on Education  
American Dental Education Association  
American Indian Higher Education Consortium  
APPA, "Leadership in Educational Facilities"  
Association of American Colleges and Universities  
Association of American Medical Colleges

Association of American Universities  
Association of Catholic Colleges and Universities  
Association of Community College Trustees  
Association of Governing Boards of Universities and Colleges  
Association of Jesuit Colleges and Universities  
Association of Public and Land-grant Universities  
Coalition of Urban and Metropolitan Universities  
College and University Professional Association for Human Resources  
Common App  
Consortium of Universities of the Washington Metropolitan Area  
Council for Advancement and Support of Education  
Council for Christian Colleges & Universities  
Council for Higher Education Accreditation  
Council for Opportunity in Education  
Council of Graduate Schools  
Council of Independent Colleges  
Council on Social Work Education  
EDUCAUSE  
Hispanic Association of Colleges and Universities  
NASPA - Student Affairs Administrators in Higher Education  
National Association for College Admission Counseling  
National Association for Equal Opportunity in Higher Education  
National Association of College and University Business Officers  
National Association of Colleges and Employers  
National Association of Independent Colleges and Universities  
National Association of Student Financial Aid Administrators  
National Council for Community and Education Partnerships  
UNCF  
UPCEA