

Key Points about Tax Incentives for Graduate-Professional Student Education

We support legislation broadening tax exemptions and deductions for graduate-professional education expenses. NAGPS further urges that congress restore the tax exemption for graduate student stipends eliminated in 1986. NAGPS wants to protect existing exemptions and deductions. We support legislation that would fully or partially return graduate scholarships (and/or stipends) to their former federal tax-exempt status. We support all tax-incentives for students such as the FICA tax exemption offered to graduate and professional students. A large portion of scholarship money comes from federal grants and programs. The federal government taxes graduate students who are paid through federally-funded research grants, taxing the awards those agencies grant is inefficient. (Source: National Science Foundation).

Graduate students lose approximately \$100-300 a month from their stipends to federal income tax. 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). Student debt has been identified by 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).

The current administration stresses that expansion of academic research is necessary for economic development sending the message that higher education is a priority for the federal government. This will drive more students into post-baccalaureate study and future contributions to the economy. Supporting tax incentive for graduate-professional students would provide sound economic reinvestment for higher education in support of congressional and executive initiatives.

BENEFITS TO THE NATION AND UNIVERSITIES:

- Meet demands of growing sectors in the economy requiring increasing number of highly-educated professionals (e.g. aerospace, biotechnology, energy, geospatial technology);
- Higher scholastic output per dollar and ability to support more graduate students.

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)

Reduce fiscal burden: endorse tax incentives for graduate-professional students!

FOR MORE INFORMATION PLEASE CONTACT:

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