

# Segal AmeriCorps Education Award Tax Relief Act

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## Background

Nearly 30 years ago, AmeriCorps was designed to provide a pathway to economic and educational opportunity for those who serve the nation and their communities. Every AmeriCorps member who completes a term of service earns a Segal AmeriCorps Education Award that may be used to pursue a future credential or degree or to pay off existing, qualified student loans. The value of the AmeriCorps Education Award is linked to the maximum amount of a federal Pell Grant for the year in which the AmeriCorps member served. The AmeriCorps Education Award is held in a trust, and once claimed, is paid directly to the institution of higher education or the student loan lender.

Since the program's launch three decades ago, more than 1.2 million Americans have earned AmeriCorps Education Awards totaling \$4 billion in higher education credit, including many first-generation college graduates. Over \$1 million in AmeriCorps Education Awards are paid annually to historically black colleges and universities (HBCUs).

## Problem

The AmeriCorps Education Award is treated differently than similarly designed fellowships, scholarships and educational award programs like Pell Grants, the GI Bill Benefit, and the National Health Service Corps. The AmeriCorps Education Award is subject to federal taxation, adding to an AmeriCorps alumni's tax obligations and even potentially moving them into a higher tax bracket. This unanticipated tax obligation on average runs in the hundreds of dollars and can even exceed \$2,000.

Because AmeriCorps alumni are not permitted to use or withhold a portion of the AmeriCorps Education Award to cover any resulting taxes, some young people are forced to take out loans or new credit cards to pay this tax bill. The considerable tax burden has forced some alumni to delay or abandon their education plans. For some low-income youth, the tax makes service a less viable option.

## Solution

Representatives John Larson (D-CT) and Don Bacon (R-NE) and Senators Michael Bennet (D-CO) and Bill Cassidy (R-LA) are working together to reintroduce the Segal AmeriCorps Education Award Tax Relief Act in the House and Senate. This bill will restore one of the founding goals of AmeriCorps. It will ensure that the AmeriCorps Education Award continues to be a valuable and compelling incentive for young people to serve their country and a tool for making higher education more affordable.