



July 13, 2021

The Honorable Sheldon Whitehouse
United States Senate
SH-530 Hart Senate Office Building
Washington, DC 20510

Dear Senator Whitehouse:

On behalf of the American Association of Community Colleges and the undersigned organizations, I write today to express our enthusiastic support for the Tax-Free Pell Grant Act. This targeted legislation will enable hundreds of thousands of low- and moderate-income college students to receive the full benefits of the Pell Grant program and American Opportunity Tax Credit (AOTC). It will also provide greater support to older, working students who currently receive little benefit from the Lifetime Learning Credit (LLC), along with thousands of other traditional age undergraduate students.

The legislation will generate greater balance in the tax code's student financing benefits, which remain somewhat tilted towards more affluent students. While these students need help to finance college, research consistently shows that low-income students continue to be less likely to complete college than their better-resourced peers. The AOTC and LLC are used by more than 9 million students each year, making this reform even more imperative.

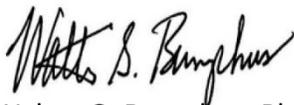
The "Tax Free Pell Grant Act" has three primary components and would:

- 1) Eliminate the taxation of Pell Grants. Current policy, which taxes the portion of a Pell Grant that exceeds a student's tuition, undermines the program's basic purpose by reducing the effective amount of grant aid for hundreds of thousands of students. It is particularly important that this change be made as Congress considers making significant increases to the Pell Grant maximum. Taxing Pell Grants is counterproductive in any circumstance.
- 2) Help low- and moderate-income students attending low-cost institutions by eliminating the Pell Grant offset included in the AOTC formula. This offset denies access to the AOTC for hundreds of thousands of students attending public institutions. The elimination of the offset also better aligns the Pell Grant program and federal student aid generally with the AOTC.

- 3) Expand the AOTC and LLC to include essential student expenses—dependent care and computers. These costs are core aspects of the federal student aid programs and represent financial hurdles for low-income students trying to balance college with other responsibilities. This change will also provide significant benefit to undergraduate students who are no longer eligible for the AOTC.

The Tax-Free Pell Grant Act addresses substantial, lingering inefficiencies in the code’s student financing supports. It does so in a focused way that will limit its cost. We urge all members of Congress concerned about helping less affluent and working students, as well as a substantial number of undergraduate students generally, to support this essential legislation.

Sincerely,



Walter G. Bumphus, Ph.D.
President and CEO

On behalf of:

Advance CTE

American Association of Collegiate Registrars and Admissions Officers

American Council on Education

Association of American Universities

Association for Career and Technical Education

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

College and University Professional Association for Human Resources

Council for Christian Colleges & Universities

Council for Higher Education Accreditation

Council for Opportunity in Education

EDUCAUSE

National Association of College Stores

National Association of College and University Business Officers

National Association of Independent Colleges and Universities

National Association of Student Financial Aid Administrators

National Council for Community and Education Partnerships

National Council of State Directors of Community Colleges

Rebuilding America's Middle Class

State Higher Education Executive Officers Association

The Institute for College Access & Success