



HOW QUALIFIED TUITION REDUCTIONS BENEFIT STUDENTS AND SOCIETY

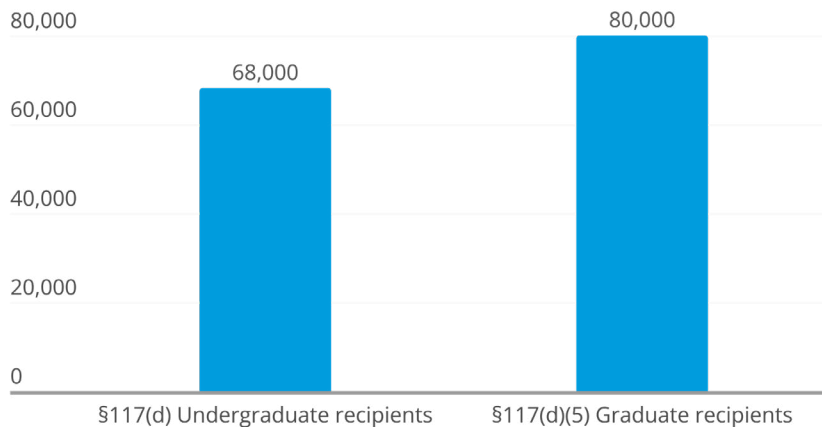
Almost 150,000 students benefitted from qualified tuition reductions in 2019–20 (see figure 1).¹

Qualified tuition reductions enable colleges and universities to provide tax-free tuition reductions for undergraduate programs to employees, their spouses, and their dependents, as well as for graduate programs when students are engaged in teaching or research.

Section 117(d) of the Internal Revenue Code allows nonprofit educational institutions, including colleges and universities, to provide employees and their spouses or dependents with tuition reductions that are excluded from taxable income.²

Section 117(d)(5) significantly lowers the cost of graduate education by providing many graduate students who serve as teaching or research assistants—a key component of their academic training—with nontaxable tuition reductions.³

Figure 1. Number of Qualified Tuition Reduction Recipients



¹ Data in this brief are from Margaux Cameron, T. Austin Lacy, Peter Siegel, Joanna Wu, Ashley Wilson, Ruby Johnson, Rachel Burns, and Jennifer Wine, *2019–20 National Postsecondary Student Aid Study* (National Center for Education Statistics, 2021), <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2021456>.

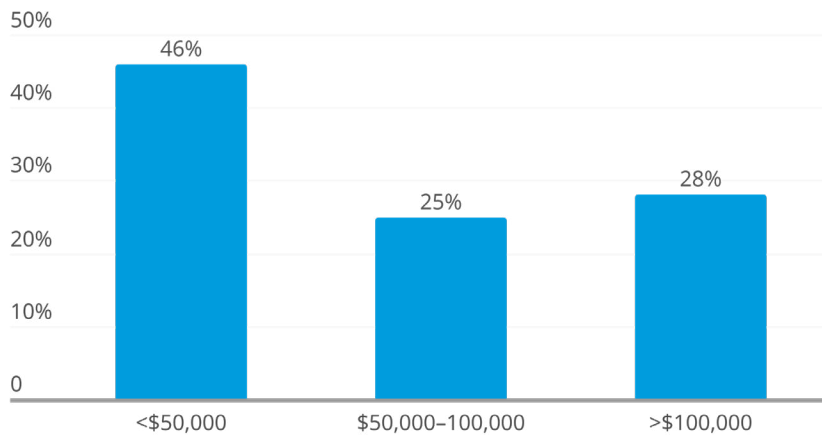
² For undergraduate student recipients, this report used the variable for staff institutional tuition waivers (EMPLWAIV).

³ For graduate student recipients, this report counted students who had both an institution tuition and fee waiver (INSWAIV) as well as a graduate assistantship (GRASTAMT).

Nearly half of the undergraduate students who received tuition waivers of any kind were from families whose incomes were below \$50,000 (see figure 2).

A diverse range of college employees benefit from Section 117(d). Under the law, all employees must be able to receive this benefit if an institution chooses to offer it. As a result, the provision benefits a range of employees—such as secretaries, other frontline administrative staff, maintenance and janitorial staff, and faculty.

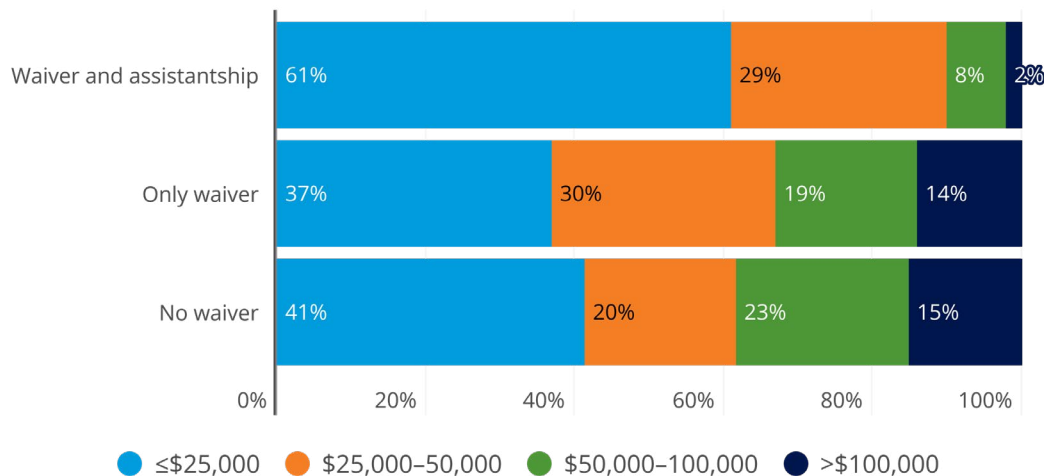
Figure 2. Undergraduate Tuition Waiver Recipients, by Income



About nine out of 10 graduate students who received both tuition waivers and graduate assistantships had incomes of less than \$50,000 (see figure 3).

Section 117(d)(5) supports graduate students, bolsters graduate education, and advances American research.

Figure 3. Graduate Student Income, by Tuition Waiver and Assistantship Status



About two-thirds of the students who received both tuition waivers and graduate assistantships in 2019–20 were in science, technology, engineering, and mathematics (STEM) programs (see figure 4).

Section 117(d)(5) is a valuable tool for boosting academic research. It provides institutions with critical support for research endeavors, particularly in crucial STEM fields.

Figure 4. Graduate Student Major Field, by Tuition Waiver and Assistantship Status

