

Important Tax Information

The Segal AmeriCorps Education Award, unlike most other forms of scholarships and fellowships, is subject to federal tax in the year it is used (Awards are included as income in the tax year the payment is mailed to the school or loan company). When and how much of the education award you redeem may have an impact on your overall income tax responsibility. If you redeem only a portion of your education award in one calendar year, you will be responsible for any taxes owed on that portion. Interest that is paid on qualified student loans (JusticeCorps Fellows only) is also subject to income taxes in the year it is paid.

The Corporation for National and Community service will send you a Form 1099 to be used in preparing your income tax return (If you don't receive this form, you will be able to access it through your myAmeriCorps account). The total sum of interest payments and the Segal AmeriCorps Education Award are listed together on the 1099 form.

Tax Relief:

While you are responsible for taxes on your education award and other AmeriCorps benefits, you may be eligible for other tax relief through the Taxpayer Relief Act of 1997. Issues about income taxes are very complicated. The important point to remember is that you should consider the tax consequences of any decisions you make about when and how to use your education award. Contact a tax professional or the [Internal Revenue Service](#) for details. [IRS Publication 970, Tax Benefits for Education](#) explains tax benefits that may be available to members who are using education awards to pay for current educational expenses or to repay qualified student loans.

Using the Ed Award Smartly - Minimizing Tax Burden on The Segal AmeriCorps Education Award

As many alumni have discovered, the Segal AmeriCorps Education Award can create an unexpected tax burden. Each dollar of the Ed Award that you use counts as income in the eyes of the government, and is therefore taxed accordingly. Using the Tax bracket chart as a guide, here are some potential scenarios and solutions that can help you minimize the tax burden created by the use of your Segal AmeriCorps Education Award.

NOTE: Tax brackets and tax law change regularly so the tax brackets below are likely not accurate and are provided as an example only.

FIGURE 1

Tax Bracket	Married Filing Jointly	Single
10% Bracket	\$0 – \$17,400	\$0 – \$8,700
15% Bracket	\$17,400 – \$70,700	\$8,700 – \$35,350
25% Bracket	\$70,700 – \$142,700	\$35,350 – \$85,650
28% Bracket	\$142,700 – \$217,450	\$85,650 – \$178,650
33% Bracket	\$217,450 – \$388,350	\$178,650 – \$388,350
35% Bracket	Over \$388,350	Over \$388,350

Scenario 1: Single alumnus who uses Ed Award to pay off student loans in 2012
Sue earns a salary of \$32,500 year, and used her \$5,550 Ed Award to pay off student loans.

Tax Burden Impact: Because Sue utilized all of her Ed Award in 2012, this has bumped her into the 25% tax bracket, which means she is deemed to have earned \$38,050 in 2012. Instead of owing 15%, or \$5,707.50, she now owes 25%, or \$9,512.50. That's a difference of \$3,805, all because she is now in the 25% tax bracket.

Potential Solution: Sue could apply the use of her Ed Award over multiple years, which would allow her to remain in the 15% tax bracket.

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Scenario 2: Single alumnus who is in school, and uses Ed Award to pay off existing student loans
Tim earns a meager \$3,500 a year, while also attending graduate school, and uses his Ed Awards from two AmeriCorps terms, or \$11,100 to pay off existing student loans

Tax Burden Impact: Because Tim utilized both Ed Awards in 2012, this bumps his 2012 earnings to \$14,100, and moves him into the 15% tax bracket instead of the 10% bracket. Instead of owing 10% or \$1,410, he now owes 15%, or \$2,115. That's a difference of \$705, because he is now in the 15% tax bracket, and he chose to pay off existing loans instead of applying it toward tuition.

Potential Solution: Tim could apply the use of the Ed Award over multiple years, which would help him remain in the 10% tax bracket. Additionally, and perhaps more importantly in this scenario, Tim could apply the Ed Award to his tuition costs and receive Education Tax Credits (a simple internet search for "education tax credits" will reveal more options) and potentially receive a tax refund.