



Post-Graduation Scholarships ([S.1757](#) / [H.R.3582](#))

Background

Another term for “post-graduation scholarships” is “charitable student loan repayment.” Like traditional scholarships, post-graduation scholarships offset the costs of obtaining a degree or technical education.

Legislative action is needed to make post-graduation scholarship grants tax free to the recipient, like traditional scholarships. Under current law, grants made to students to help pay off educational loans are taxable to the student. This legislation allow 501(c)3 community foundations to pay off the loans of a locally needed worker with no tax impact on the student, similar to traditional scholarships.

Workforce Development Through Post-Graduation Scholarships Act

- IL Sponsor: Darin LaHood (R-16)
- Defines post-graduation scholarship grants as a charitable activity, making them tax-free to the recipient
- Establishes eligibility requirements to ensure post-graduation scholarships benefit communities in need of skilled workers

Rationale

Post-graduation scholarships can help address both the student debt crisis, give leaders a tool to tackle local economic development challenges (especially in rural communities), and help target workforce gaps.

In Illinois

- 13.2% of Illinois’ population has federal student loans
- Student loans are 8.5% of personal income
- The average borrower has \$38,473 in debt
- 18% of borrowers are enrolled in income-driven repayment plans (Pew)
- In 2024 Forefront survey, 5% of Community Foundations reported currently operating such programs, while up to 80% report being interested in creating a program if charitable loan repayment is not taxed

Equity Note

- Black students are more likely to borrow to pay for college (90%) compared to White students (68%)
- More than a decade after graduation, 66% percent of Black borrowers hold more student loan debt than the amount they originally borrowed (Equity Research Collaborative)
- 50%+ Black households holding student loan debt have a zero or negative net worth, compared to 32% of non-Black households (Brookings)

