

SPECIAL EDITION

Veterans Education Benefits and Financial Aid

This information is provided as an update to the information previously published in Newsletter # 59, September 18, 2012 and Newsletter # 60, November 20, 2012.

We continue to receive a number of questions concerning this subject. The following references should be consulted when dealing with veterans education benefits and federal financial aid:

- [Public Law 111-39 \(H. R. 1777\) effective July 1, 2009](#)
- [Public Law 111-377 – Chapter 33 only](#)
- Section 480(c)(2) of the Higher Education Act of 1965 as amended
- [20 United States Code Section 1087vv](#)
- [Chapter 3, Federal Student Aid Handbook](#)
- [Chapter 7, Federal Student Aid Handbook](#)
- [Letter, IFAP, dated August 13, 2009, Subject: Guidance on Federal Veterans’ Education Benefits for Purposes of the Title IV Student Assistance Programs.](#)
- [Letter, IFAP, dated July 2, 2009, Subject: Change of Effective Date for the Exclusion of Federal Veterans Education Benefits as Estimated Financial Assistance for Purposes of the Title IV Student Assistance Programs.](#)
- [Section 473, House Resolution 4137](#)
- [Use of Restricted and Unrestricted funds for Yellow Ribbon, FAQ 979, Frequently Asked Questions, GI Bill web site \(\[www.gibill.va.gov\]\(http://www.gibill.va.gov\)\)](#)
- [Are VA Educational Benefits Taxable? FAQ 172, Frequently Asked Questions, GI Bill web site \(\[www.benefits.va.gov\]\(http://www.benefits.va.gov\)\)](#)
- [IRS Publication 970, Tax Benefits for Education](#)
- [IRS 2015 Instructions for Forms 1098-E and 1098-T](#)

Please note that federal codes, laws, and regulations must be followed when dealing with veterans education benefits. After these have been followed, some institutions may have policies which address institutional aid, scholarships, waivers, or assistance. If the student is a Chapter 33 veteran, the provisions of Public Law 111-377 concerning “actual net cost” must be followed if institutional aid is provided to **defray the cost of tuition and fees**. If institutional aid is provided to defray the cost of attendance, those funds are **not** excluded (subtracted) from gross in-state tuition and fees to determine actual net cost. Schools are encouraged, but not required, to define all institutional aid provided to a veteran student as aid for cost of attendance. This will allow the Chapter 33 student to receive the maximum amount of tuition and fees from VA.

Paragraph (c), Section 3313, United States Code, Title 38, specifies that any funds provided under section 401(b) of the Higher Education Act of 1965 (20 USC 1070a) are **not** excluded from gross in-state tuition and fees to determine “actual net cost.” In addition, PA State Grant funds and the Pennsylvania National Guard Education Assistance Program (EAP) funds are NOT excluded when determining “actual net cost.”

In all cases, there must be close coordination between the School Certifying Official and the financial aid office at the school.

In addition, federal regulations require that veterans and non-veteran students be treated equally when determining tuition and fees.

Veterans education benefits are not scholarships, grants, aid, waivers, or assistance. Veterans education benefits are earned benefits provided for service to the country. In accordance with federal codes, law, and regulations, veterans education benefits should not be treated as financial aid for Title IV purposes. In no case can veterans education benefits be reduced by the school except for determining actual net cost for Chapter 33 students.

Special attention is called to Page 3-149, Chapter 7, Federal Student Aid Handbook. The following is quoted from that page:

“For FSA purposes, federal veterans education benefits, as defined under Section 480(c) of the HEA, are not treated as estimated financial assistance (EFA). You can ask the student to provide the specific program or benefit under which they are receiving their veterans benefits. As in the past, veteran’s benefits are also not to be counted as income, and therefore are not reported as income on the FAFSA. For a full list of federal veterans education benefits, see *Appendix A* at the end of this chapter.”

In addition, **all financial aid personnel** should have a copy of the Letter dated August 13, 2009 from the Acting Deputy Assistant Secretary for Policy, Planning, and Innovation, Office of Postsecondary Education, Subject: Guidance on Federal Veterans’ Education Benefits for Purposes of the Title IV Student Assistance Programs. **This is one of the most important letters concerning veterans education benefits and Title IV financial aid.**

<http://www.ifap.ed.gov/eannouncements/081309GuidFedVeteransEdBenefits.html>

Note: Question 1 of the above document addresses the Yellow Ribbon Program and the school’s contribution to Yellow Ribbon and how it impacts financial aid and the EFA.

In addition, the US Department of Education has advised that **“Veterans education benefits may cause the veteran to receive benefits/funds in excess of the cost of attendance (COA). There is no federal statute, regulation, or policy that prohibits this.”**

Schools must follow all federal statutes, policies, and regulations when packaging federal student aid for students receiving federal veterans education benefits indicated in Section 480(c)(2) of the Higher Education Act of 1965 as amended.

Note: The regulations and policies concerning financial aid and veterans education benefits are entirely different and should be applied in accordance with the applicable regulation or policy. Do not apply financial aid regulations and policy to veterans education benefits and do not apply

veterans education benefits regulations and policy to financial aid. Department of Education regulations are to be followed concerning federal financial aid while Department of Veterans Affairs regulations are to be followed concerning veterans education benefits. Do not get these two confused.

Institutional Aid

It is highly recommended that schools have a written policy of how their institutional aid impacts veterans education benefits or visa versa. Veteran and non-veteran students should be treated in the same manner concerning institutional aid. Remember, veterans education benefits are an **earned** benefit. It is highly recommended that students who are veterans and have **earned** institutional aid (scholarship, aid, assistance, waiver) receive both benefits. While there is no requirement to provide both benefits, if they are both **earned**, it is the ethical thing to do. Schools need to be transparent when issuing an award letter offering institutional financial aid to a student that may be withdrawn after it is determined the student is receiving veteran's education benefits.

IRS Form 1098-T

Many schools report Chapter 33 veterans education benefits received by the school in Block 5 of the IRS Form 1098-T. While veterans education benefits are neither scholarships nor grants, schools are still reporting veterans education benefits in Block 5. Veteran students who are provided with a 1098-T should be informed that the amount in block 5 may represent both taxable and non-taxable funds. The dollar amount of veterans education benefits placed in block 5 is not taxable. (See FAQ # 172 and IRS Publication 970).

It is highly recommended that veteran students be advised to seek professional help preparing their annual tax return and that they take advantages of the provisions in IRS Publication 970.

Various Chapters of the GI Bill

Schools must understand that Title 38 and Title 10 of the United States Code contain many different GI Bill statutes. Chapters 30, 32, 35, 1606, and 1607 are monthly benefits (prorated) paid directly to the student. None of the benefits for these chapters are paid to the school. Chapter 33 (Post 9/11 GI Bill) pays only the actual net cost of tuition and fees to the school. Chapter 33 Monthly Housing Allowance and the Book and Supply Stipend are part of the Post 9/11 GI Bill veterans education benefit paid (prorated) directly to the student. Chapter 31 (Vocational Rehabilitation and Employment) tuition and fees and other education expenses are paid directly to the school through a billing process between the school and the Vocational Rehabilitation and Employment counselor. The subsistence allowance or monthly housing allowance is paid directly to the Chapter 31 student as part of their veterans education benefit.

Independent Status for Financial Aid

Reference 20 USC Section 1087vv. Veteran students are independent for financial aid purposes if they are Chapter 30, 32, 33, or 1607. By definition, the student in receipt of these chapters served on active duty to receive the benefit. By definition, 1606 students have not served on active duty (except for training) and they are, therefore, not independent unless they meet other independent criteria. The school must interview students who are Chapter 31 or 35 to determine if they meet the definition of independent for financial aid purposes.

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