

Overview: Indian Health Service Health Professions Tax Fairness Act Congresswoman Gwen Moore

Purpose: To amend the Internal Revenue Code to eliminate tax on awards under the Indian Health Professions Scholarships Program and payments made under the Indian Health Service Loan Repayment Program. By making awards under these programs tax-exempt, this bill establishes parity between these programs and other federal scholarship and loan repayment programs that have enjoyed tax-exempt status for many years.

Background: Members of federally recognized American Indian and Alaska Native Tribes (AI/AN) and their descendants are eligible for services provided by the Indian Health Service (IHS), an agency within the Department of Health and Human Services (HHS). The IHS offers health services for 2.2 million of the nation's 3.7 million American Indians and Alaska Natives.¹ In 2018, GAO released a report² finding that IHS suffers from long-standing vacancy rates and faces ongoing challenges to filling provider vacancies. GAO estimated an average vacancy rate for physicians, nurses, and other care providers of 25%. The IHS have deployed incentives to recruit and retain providers, but demand has been greater than available resources. According to IHS, AI/AN have a life expectancy that is 5.5 years less than all races in the United States, and they die at higher rates than other Americans from many preventable causes. These health outcomes underscore the importance of a strong clinical workforce for AI/AN people.

Elimination of tax on awards under the Indian Health Professions Scholarships Program

The IHS Health Professions scholarship provides financial aid to qualified AI/AN undergraduate- and graduate-level students who are members of federally recognized Tribes and enrolled in an eligible health profession degree program. In exchange for financial aid, scholarship recipients agree to fulfill minimum two-year service commitment at an Indian health facility upon completion of their academic or post-graduate clinical training.

This bill would exclude from gross income amounts received under the Indian Health Professions Scholarships Program. Under current law, section 117(c) specifically provides that the exclusion for qualified scholarships and qualified tuition reductions does not apply to any amount received by a student that represents payment for teaching, research, or other services by the student required as a condition for receiving the scholarship or tuition reduction. As with other qualified scholarships under section 117, the tax-free treatment would not apply to amounts received by students for regular living expenses. This bill would provide parity with the National Health Service Corps Scholarship and Armed Forces Health Professions Scholarship and Financial Assistance Program so that amounts received by an individual under the Indian Health Professions Scholarships Program would be eligible for tax-free treatment as qualified scholarships under section 117, too, without regard to any service obligation by the recipient.

Elimination of tax on payments given under the IHS Loan Repayment Program

Under the IHS LRP, health professionals agree to serve two years at an Indian health program in exchange for up to \$20,000 per year (up to \$40,000 for the initial two-year contract) in loan repayment funding (and up to an additional \$4,000 per year to offset the tax liability). Loan repayment recipients with more than \$40,000 in loan debt can extend their initial two-year contract and receive up to an additional \$20,000 per year (plus up to \$4,000 for taxes) until their original qualifying educational loan debt is paid.³

This bill would exclude from gross income amounts received under the IHS Loan Repayment Program (LRP). Currently, under section 108(f)(4), gross income does not include any loan repayment amount received under the National Health Service Corps loan repayment program, certain State loan repayment programs, or any amount received by an individual under any State loan repayment or loan forgiveness program that is intended to provide for the increased availability of health care services in underserved or health professional shortage areas.⁴ This bill would provide parity with those LRP by modifying the gross income exclusion in section 180(f)(4) to include any amount received by an individual under the IHS LRP.

¹ Indian Health Service, The Federal Health Program for American Indians and Alaska Natives, Quick Look, <https://www.ihs.gov/newsroom/factsheets/quicklook/>.

² US Government Accountability Office, <https://www.gao.gov/products/GAO-18-580>.

³ Indian Health Service, The Federal Health Program for American Indians and Alaska Natives, IHS Loan Repayment Program (LRP) <https://www.ihs.gov/dhps/programperformancedata/lrp/>.

⁴ **NB.** Because the amounts paid by under a qualifying program are for loan repayment and not loan forgiveness, therefore there is no discharge of indebtedness.