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Insights: Publications

A Normative Guide to the Taxation of Education ISAs

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There is a revolution in how students pay for higher education. Colleges like the University of Purdue and coding academies like Lambda Inc. have offered students the ability to sign an income-sharing agreement (ISA), an arrangement whereby a student receives immediate funding from a third party (usually the college or education provider) “in exchange for agreeing to pay a percentage of his or her future income for a period of time.” The third party receives a claim dependent on “the personal financial success of the” student, without a “guaranteed return of principal.” Many scholars have addressed the thorny ethical and practical concerns that the ISA arrangement bring, but fewer scholars have addressed the tax implications of these arrangements. And as many have noted, the lack of a clear tax characterization has likely inhibited the growth of these innovative agreements.
