



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE ACADEMY

26 Sep 2025

MEMORANDUM FOR: CADETS AND PARENTS OF CADETS

FROM: HQ USAFA/FMF

SUBJECT: Cadet Scholarship and/or Educational Investment Plan Proceeds

The following should assist with scholarship and/or investment plan questions:

1. Normally a university financial aid office monitors scholarships and investment plan proceeds; however, USAFA is not eligible to participate in the student aid program and does not have a financial aid office. USAFA is prohibited by law (10 U.S.C. 9360) from charging cadets for tuition, room or board like other universities. USAFA does not have the authority to maintain separate billing and receiving accounts required to monitor the restrictions levied by law. USAFA does not issue an IRS Form 1098-T.
 - a. Scholarships: The United States Air Force Academy (USAFA) Financial Management (FM) Office will not accept cadet scholarships containing restrictions. Scholarships silent on restrictions will be treated as non-restrictive and accepted; restrictions are any condition or limitation an agency places on the use of their scholarship funds. Some examples include “must be used for tuition, room and/or board”, “student is required to maintain a specific grade point average (GPA)”, “scholarship funds will be paid back if cadet dis-enrolls”, etc. Scholarships should be able to be payable directly to the cadet. If the agency is unable to make payment directly to the cadet, the scholarship may be accepted by FM for credit to the cadet’s pay account.

Checks should be made payable to “U.S. Treasury” and mailed to:

HQ USAFA/FMF
2304 Cadet Drive, Suite 2200
USAF Academy, CO 80840-5035

Scholarships accepted by FM are never refunded to the agency granting the scholarship, even if the cadet dis-enrolls. Checks will not be accepted until after 01 September 2021 for the Class of 2025. The cadet’s full name and social security number must be included in the memo area of the check or on an attached memo.

- b. Education Investment Plans: Educational Investment Funds (e.g. 529 plans) may not be accepted due to their federal and state tax restrictions; the owner/administrator shall consult their financial advisor, tax advisor or legal advisor to ensure the specific fund rules are followed and if there are procedures for providing proceeds directly to the cadet. The individual owner or administrator of the educational investment plan determines the valid use of the funds based on specific fund requirements and any State, Federal and/or Internal Revenue Service (IRS) restrictions. Investment plan proceeds sent directly from the plan cannot be accepted by FM, and if received, shall be returned to the originator.

Based on information provided by the IRS, it is our understanding that the Military Family Tax Relief Act of 2003 provides that attendance at a U.S. military academy will be treated as a scholarship for purposes of the 10% penalty on nonqualified withdrawals from a 529 plan or Coverdell ESA and that the value of the no-cost education (as determined under the U.S. military code) can be withdrawn penalty-free from a 529 plan or Coverdell ESA, although the earnings portion will continue to be taxable. Accordingly, parents and financial planners have requested the Cost of Education (CoE) for USAFA. *Please understand that we are not attempting, and are not authorized, to provide tax advice; we are simply providing information concerning the USAF Academy CoE for recent Fiscal Years.* You are advised to consult your own tax advisors regarding permissible uses of this information. The USAFA CoE amount may be exempt from the 10% additional tax IAW IRS rules (see IRS Publication 970). The CoE at a Service Academy is defined in DoDD 1332.23 as those costs that are attributable directly to educating a person at a service academy under regulations prescribed by the Secretary of the Military Department concerned and approved by the Office of the Assistant Secretary of Defense (Force Management & Personnel), Office of the Assistant Secretary of Defense (Force Management and Personnel) and the Office of the Assistant Secretary of Defense (Comptroller). Such costs include a reasonable charge for the provided education, books, supplies, room, board, transportation, and other miscellaneous items furnished at government expense. Excluded are the costs for cadet pay and allowances, uniforms, military training, and support for nonacademic military operations. The following is the USAFA CoE for the Fiscal Year (FY) indicated.

FY21	\$60,303.00	:	1	October	2020	-	30	September	2021
FY22	\$68,139.00	:	1	October	2021	-	30	September	2022
FY23	\$77,337.00	:	1	October	2022	-	30	September	2023
FY24	\$74,469.00	:	1	October	2023	-	30	September	2024

2. **Any tax consequence resulting from receipt of scholarships and/or educational investment plan proceeds is the responsibility of the cadet.** Additional information on educational benefits is available on the IRS web site; see IRS Publication 970, Tax Benefits for Education.

3. Tuition, room, board and cadet income and expenses at USAFA:

- USAFA cannot charge for tuition, room or board in accordance with 10 U.S.C. 9360. Tuition, room and board are provided to cadets without charge.
- Cadet monthly base pay is \$1399.80 effective 1 January 2025. Cadet pay is equal to 35% of a 2nd Lieutenant pay in accordance with 37 U.S.C. 203(c).
- Cadet **estimated** expenses for Academic Year 2025/2026 are:

<u>Expense</u>	<u>Freshman</u>	<u>Sophomore</u>	<u>Junior</u>	<u>Senior</u>
Uniforms	\$3,650.00	\$0.00	\$372.85	\$538.09
Computer/Maintenance	\$2,099.00	\$150.00	\$150.00	\$137.50
Personal Service Fees	\$2,216.50	\$645.00	\$655.08	\$656.59
Allied Arts & Sports Fee	\$260.00	\$260.00	\$260.00	\$260.00
Media & Textbooks	\$1,985.00	\$1,960.00	\$1,960.00	\$1,975.00
Total:	\$10,210.50	\$3,015.00	\$3,397.93	\$3,467.18

Definitions:

- Personal Service Fees include barber, tailor, linen, dry cleaning, and laundry.
- Allied Arts and Sports Fees include reduced tickets to shows and sporting events.
- Media includes Basic Combat Training (BCT) yearbook and annual yearbook.

NOTE: Exact expenses are known only by the individual cadet based on their specific circumstances. The amounts shown above are only an **estimate**. The individual cadet receives a monthly leave and earnings statement (LES) which provides information on actual income and those expenses deducted from their pay.

4. The section of US Code that authorizes TSP participation applies only to those members who are paid under 37 USC 204 (only covers active duty and reserve members). Cadets are paid under a separate area of US Code (37 USC 203) and are therefore not eligible to participate in TSP.
5. Please e-mail USAFAM.FMF.CadetPay@us.af.mil if you have questions on the information contained in this memorandum.

Mark Webb
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