Fact Sheet: Trump Administration Implements Accountability Provisions of the Working Families Tax Cuts Act

The final rule holds all institutions, regardless of tax status or credential level, accountable for providing graduates with a financial return on their investment.

Background

On June 29, 2026, the U.S. Department of Education (the Department) announced a final rule to implement the accountability provisions of the Working Families Tax Cuts Act (the Act)[1] and to revise the Department's existing Financial Value Transparency and Gainful Employment (FVT/GE) regulations. This fact sheet summarizes the major provisions of the final rule. The most significant change made by the rule is the creation of a new accountability framework for postsecondary education programs that ensures they provide students with at least a minimum financial return on their investment and meet taxpayer expectations that institutions are responsible stewards of the federal investment in higher education.

After nearly two decades of regulatory whiplash,[2] the Department will, for the first time, hold postsecondary programs – regardless of institutional tax status or credential level – accountable for the earnings outcomes of their graduates. Too many postsecondary programs leave their graduates financially worse off than if they had never gone to college. These low earnings outcomes, when paired with high costs, often make higher education a bad investment for students, families, and taxpayers. Today, the federal student loan portfolio stands at $1.7 trillion with high and rising rates of default and delinquency, yet institutions have remained largely unaccountable for whether their programs result in a sufficient financial return on investment for their students.

The new Student Tuition and Transparency System (STATS) and Earnings Accountability rule harmonizes the Act's "Do No Harm" earnings standard with the outgoing FVT/GE regulations, creating a new accountability framework that applies a commonsense earnings test across all sectors, institutions, and programs.

Under the final rule, undergraduate programs are required to demonstrate that their graduates are by and large earning more than working individuals with only a high school diploma. Similarly, graduate programs are required to show that their graduates are earning more than bachelor's degree holders.

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[1] The accountability provisions of the Act are commonly referred to as the "Do No Harm" earnings standard.
[2] The Department has issued four previous regulations on Gainful Employment, most recently in 2023, as part of the FVT/GE accountability framework.

The final rule will incentivize institutions in every sector of higher education to offer programs that deliver economic value through a return on investment, enhance data accessibility for students, and protect taxpayers and students through stricter oversight and comprehensive disclosures on program outcomes.

In January 2026, the Department convened a negotiated rulemaking committee to develop proposed regulations implementing the accountability provisions of the Act, as well as consider changes to the FVT/GE regulations. The Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee included a broad range of impacted stakeholders, including higher education institutions, students, employers, and organizations representing taxpayers. The Committee reached consensus on the language included in the proposed rule. The Department adopted the consensus language in the proposed rule, making only minor changes in the final rule in response to public comments.

The final rule's provisions implementing changes in the Act are effective as of July 1, 2026, with certain other provisions effective July 1, 2027, though early implementation by institutions is permitted. A program subject to the GE regulations that chooses not to implement early will be held to the 2023 regulations prior to July 1, 2027, including all applicable program eligibility consequences.

Earnings Test and Accountability Framework

The final rule establishes a new annually calculated earnings test for postsecondary education programs, including undergraduate certificate programs. To pass the test, undergraduate certificate and degree programs must demonstrate that their graduates earn more than those with only a high school diploma, while graduate programs must demonstrate that their graduates earn more than those with a bachelor's degree. Put simply, programs must now show that graduates are earning more than if they had never enrolled in the program.

The final rule also eliminates the redundant debt-to-earnings metric from the outgoing FVT/GE regulations, which provided limited value beyond the new earnings test while significantly increasing reporting burden for institutions and the Department. New loan limits for graduate and professional programs, effective July 1, 2026, also reduce the need for a debt-to-earnings test, as students will no longer be able to borrow potentially unlimited amounts of federal student loan debt.

Earnings Calculation

Undergraduate completers' median earnings will be compared to the median earnings for working adults aged 25-34 with only a high school diploma either from the state in which the institution is located or nationwide, depending on the institution's enrollment makeup. Similarly, graduate completers' median earnings will be compared to the median earnings for working adults aged 25-34 with only a bachelor's degree.

Program earnings will be calculated using program completers' median annual earnings, measured four years after completion. This is one additional year (4th year instead of 3rd year after completion) compared to the outgoing FVT/GE regulations.

Student Warnings

Under the final rule, institutions are required to send a warning to current and prospective students when the Secretary notifies them of the potential that their program may become ineligible for some, or all, Title IV aid. Additionally, the institution will be required to provide a notice of their remaining Pell Grant lifetime eligibility each time Pell is disbursed.

Loss of Federal Direct Loan Program Eligibility

The final rule requires that programs that fail the earnings test in two out of three consecutive years lose eligibility to participate in the Direct Loan program. At that time, such programs are classified as "low-earning outcome programs".

The earnings test will first be calculated by the Department in early 2027, applying to the 2027-2028 award year. This means some programs could be designated as low-earning outcome programs beginning in the 2028-2029 award year if they fail the earnings test in both 2027 and 2028. Low-earning outcome programs will cease participation in the Direct Loan program upon completion of the termination procedures set forth in the final rule and absent a successful appeal to the Secretary.

Loss of Title IV, HEA Eligibility

The final rule also amends the Department's administrative capability regulations to help ensure that students do not use their limited Pell Grant funds at institutions that significantly fail the earnings test. Under the final rule, institutions with low-earning outcome programs will also lose all Title IV aid eligibility, including Pell Grant eligibility, if:

- More than half of the institution's Title IV recipients are enrolled in low-earning outcomes programs; or
- More than half of the institution's total Title IV funds are disbursed to students enrolled in low-earning outcomes programs.

However, institutions with programs that fail the earnings test may be able to retain Pell Grant eligibility by taking certain actions, as described below.

Programmatic Options

The Department will provide institutions a warning after the first year whenever any of their programs fail the earnings test, stating that a program will be considered a low-earning outcome program if it fails the earnings test again during either of the next two award years. When

institutions are initially notified by the Department about one or more programs, the final rule allows for the following options:

- First, the institution can voluntarily remove the program(s) from participating in the Direct Loan program for a period of at least five award years. These programs will not be subject to the sanctions associated with standards of administrative capability requirements (described above), thereby allowing such programs to maintain Pell Grant eligibility during the five-year period.
- Second, the institution can conduct an orderly program closure, pending the Secretary's determination that this is in the best interest of the program's students. Upon the Secretary's determination, the program(s) will not be able to admit new students and must fulfil a teach-out plan for its current students. During the orderly program closure, programs maintain their eligibility for Title IV student aid for the length of the program teach-out or for three award years, whichever is shorter.
- Third, the institution can take no action. Under this option, programs will continue to face the earnings test in subsequent years. If any program fails the earnings test again during either of the next two years, those programs will be classified as a low-earning outcome program, removing its eligibility for Direct Loans, and possibly all Title IV, if the institution also fails the Department's administrative capability regulations. Institutions that choose to take no action after the first year of failing the earnings test will not later be able to choose the two options described above; those options are only available to programs after the first year they fail the earnings test.

Delay for Programs Associated with Predominantly Tipped Occupations

The earnings test in the final rule will have a delayed implementation for certain programs that prepare students for employment in occupations that customarily and regularly receive tips as a part of their earned income. Specifically, the rule delays the consequences of failing the earnings test for programs associated with occupations in which a majority of workers report tipped income until the period in which earnings will be measured using data from the 2026 tax year or later.[3] This delay allows for the Act's "No Tax on Tips" policy to take effect and be reflected in enhanced earnings test data.

This means certain cosmetology, barbering, massage therapy, and similar programs will qualify for a one-year delay. During this delay, these programs will not be considered to have passed or failed the earnings test; however, the Department will continue to publish earnings data for these programs to make such information available to students and to assist institutions in taking steps to help students find higher earning employment.

[3] For this determination, the Department used the list of occupations included in the IRS and Treasury final rule listing occupations that qualify for the "No Tax on Tips" policy.

Nonparticipation in the Direct Loan Program

In reviewing public comments, the Department was persuaded by some commenters' concerns that, even if a program does not participate in the Direct Loan program, it could still lose Pell Grant eligibility if it consistently failed the earnings test under the Department's administrative capability regulations. Under the final rule, programs are exempt from the potential loss of Pell Grant eligibility if the institution has not participated in the Direct Loan program in the five most recently completed award years or if the institution agrees, in an amendment to its program participation agreement, that it will use its authority under 34 CFR 685.203(m)(2) to prevent students in the program from borrowing Direct Loans in the program for at least five years.

Appeals Process

The final rule establishes an appeals process for institutions whose programs have failed the earnings test in two out of three consecutive years. After an institution is notified that one of its programs will lose Direct Loan eligibility, institutions will have 30 days to appeal the Secretary's determination. The appeal must be based on an error in the calculation of the program's earnings premium measure.

Regaining Eligibility

The final rule establishes a framework for programs to regain eligibility for the Direct Loan program. An institution may not reestablish the same, or a substantially similar, program that was voluntarily discontinued by the institution or received the low-earning outcome designation for at least two years. To regain eligibility, a program must pass the earnings test.

STATS Data Elements and Reporting

The final rule amends data reporting requirements under the outgoing FVT/GE regulations for institutions of higher education, reducing administrative burden for both institutions and the Department. Specifically, it reduces the amount of data colleges and universities are required to report by approximately 30 percent. The eliminated requirements remove several redundant data elements already captured in other Department data systems.

Under the STATS collection, institutions will report program information, including the program name, CIP code, credential level, and program length. For each student, institutions will report data such as total cost of attendance, private education loans, and whether the student completed or withdrew from the program, among other data elements. This information will provide important insight for current and prospective students as they make decisions about pursuing higher education.

Institutions are first required to submit the required STATS data to the Department no later than October 1, 2026, and annually thereafter on October 1.