

November 6, 2017

The Honorable Kevin Brady  
Chairman  
Ways and Means Committee  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Richard Neal  
Ranking Member  
Ways and Means Committee  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

**Re: Higher Education Provisions in H.R. 1, the *Tax Cuts and Jobs Act***

Dear Chairman Brady and Ranking Member Neal:

On behalf of the American Council on Education and the undersigned higher education associations, we write to express grave concerns with H.R. 1, the *Tax Cuts and Jobs Act*.

This legislation, taken in its entirety, would discourage participation in postsecondary education, make college more expensive for those who do enroll, and undermine the financial stability of public and private, two-year and four-year colleges and universities. According to the Committee on Ways and Means summary, the bill's provisions would increase the cost to students attending college by more than \$65 billion between 2018 and 2027. This is not in America's national interest.

It is possible to offer tax relief to hard-working middle-class and lower-income Americans in a way that does not increase college costs and does not make a quality higher education less accessible. We are eager to work with Congress to enact such legislation, but this bill heads in the wrong direction.

Our main objections to the bill are listed below, in the order in which they appear in the legislation. The order is not meant to reflect prioritization:

- *Sec. 1002*: Changes to the standardized deduction, which will reduce charitable contributions to our institutions;
- *Sec. 1002*: Repeal of Lifetime Learning Credit, while not substantially increasing the American Opportunity Tax Credit (AOTC);
- *Sec. 1204*: Repeal of the Student Loan Interest Deduction (SLID);
- *Sec. 117(d)*: Repeal of the qualified tuition reduction;
- *Sec. 127*: Repeal of educational assistance program;
- *Sec. 1303*: Changes to the state and local tax (SALT) deduction, which will reduce state budgets and, in turn, funding for public higher education;
- *Sec. 3601*: Termination of private activity bonds; and,
- *Sec. 5103*: Creation of a new excise tax on endowments at private colleges and universities.

Colleges and universities also have a number of concerns about other provisions that would negatively impact students by lessening charitable giving, limiting university-industry partnerships, and compromising educational quality.

## **Title I- Tax Reform for Individuals**

### **Subtitle A- Simplification and Reform of Rates, Standard Deduction, and Exemptions**

#### *Sec. 1002. Enhancement of the standard deduction*

Colleges and universities are concerned that doubling the standard deduction for individuals and couples will reduce the number of taxpayers who itemize, significantly reducing the value of the charitable deduction and leading to a drop in donations to all nonprofits, including colleges and universities. For private nonprofit and public colleges and universities, the charitable deduction is vital for generating private support to higher education institutions to help achieve their educational missions of teaching, research, and public service. While the bill preserves a modest charitable giving incentive, its value would be significantly curtailed and charitable giving would decline to all nonprofits, which provide essential services to all Americans. We are disappointed that the bill did not include a proposal that would expand the charitable deduction to non-itemizers, like the universal charitable deduction.

### **Subtitle C- Simplification and Reform of Education Incentives**

#### *Sec. 1201. The American Opportunity Tax Credit (AOTC)*

H.R. 1 would repeal the Lifetime Learning Credit, while only expanding AOTC to include a fifth year of reduced support. This would be a large step backwards, not an improvement, for many students and their families who benefit under current law. We appreciate that the bill maintains the expanded eligible expenses of the AOTC, which includes required course materials, as well as the current income thresholds. But we are extremely concerned that the “enhanced” AOTC, as written, would preclude graduate students, part-time students, lifelong learners (particularly those seeking retraining), and any student taking longer than five years to finish their education from accessing the AOTC, adversely impacting their financial ability to pursue a degree or lifelong learning. Indeed, under the changes proposed in the bill, many non-traditional students—the fastest growing segment of students in higher education—would lose significant tax benefits they currently rely upon to help finance their higher education.

#### *Sec. 1204. Repeal of other provisions relating to education*

The legislation as written would repeal the current Student Loan Interest Deduction (SLID). Under current law, any individual with income up to \$80,000 (or \$160,000 on a joint return) repaying student loans can currently deduct up to \$2,500 in student loan interest paid. In 2014, 12 million taxpayers benefited from SLID. Eliminating this provision would mean that, over the next decade, the cost of student loans for borrowers would increase by roughly \$13 billion.

H.R. 1 would also repeal two important provisions meant to exclude tuition waivers and tuition exemptions from income for campus employees and graduate students.

Section 117(d) permits educational institutions to provide their employees, spouses, or dependents with tuition reductions that are excluded from taxable income, helping them afford a college education and providing an important benefit to many middle- and lower-income college employees.

Section 117(d)(5) is also an important provision that reduces the cost of graduate education and mitigates the tax liability of graduate students teaching and researching as part of their academic programs. Roughly 145,000 graduate students received a tuition reduction in 2011-2012.<sup>1</sup> Repeal of this provision would result in thousands of graduate students being subjected to a major tax increase. The provision is also critical to the research endeavor at major universities, particularly in the crucial science, technology, engineering and math (STEM) fields. According to data from the Department of Education, 57 percent of tuition reductions went to graduate students in STEM programs.

Section 127 allows employers to offer employees up to \$5,250 annually in tuition assistance, which is excluded from taxable income. This provision has been an important means of building and adding to the competencies of the workforce and is a critical tool to help our nation accelerate its economic growth.

For all of these reasons, we strongly believe that Sections 117(d) and 127 should be preserved.

### **Subtitle D- Simplification and Reform of Deductions**

#### *Sec. 1303. Repeal of deduction for certain taxes not paid or accrued in a trade or business*

Changes to the state and local tax (SALT) deduction will have a significant negative effect on state budgets, forcing state governments to make very difficult and harmful funding decisions. The SALT deduction helps state and local governments fund public services that provide widely shared benefits. Limiting the deduction will almost certainly make it harder for states and localities—many of which already face serious budget strains—to raise sufficient revenues in the coming years to fund higher education and other priorities. There has been a long-term decline in state support for higher education and cuts to SALT will exacerbate this problem. Cuts in state support for public higher education can lead to increased tuition and potentially cuts to state student financial aid programs, raising the cost of attending college for students and their families. History has shown that when states need to make cuts, support for higher education is often a primary target.

## **Title III- Business Tax Reform**

### **Subtitle G- Bond Reforms**

#### *Sec. 3601. Termination of private activity bonds*

H.R. 1 would eliminate private activity bonds, which are used by private nonprofit colleges and universities to finance capital projects. This repeal would essentially prevent institutions from using lower-cost tax-exempt bond financing. Higher borrowing costs can result in diminished investments in infrastructure, fewer jobs, reduced services, and increased service charges and other fees to students.

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<sup>1</sup> U.S. Department of Education, National Center for Education Statistics, 2011-2012 National Postsecondary Student Aid Study (NPSAS). (Most recent data.)

## **Title V- Exempt Organizations**

### **Subtitle B- Excise Taxes**

#### *Sec. 5103. Excise tax based on investment income of private colleges and universities*

H.R. 1 fundamentally changes the way nonprofits are treated by creating a new and unprecedented tax on endowments of some private colleges and universities. This provision undermines the very nature of the tax-exempt status of private colleges and universities. While the new excise tax is currently focused on private institutions, we strongly oppose this new excise tax and the precedent it sets for all of higher education.

Investment income from endowments is used every day to support nearly every aspect of an institution's operations, including all the components vital to its mission and the delivery of a high-quality, affordable education, from financial aid to research and student retention and success programs. An endowment is not a single entity that can be used for any purpose. Rather, it is a permanent investment fund consisting of often thousands of separate accounts designed for the needs of the present and the future. Under H.R. 1 potentially large amounts of endowment dollars would be redirected to the federal government, taking them away from providing scholarships to our students and supporting research and education. It also would effectively be a tax on donors' contributions and shift money from the dedicated purpose for the donation. Roughly 160 institutions will likely be affected by this provision, and we strongly object to it.

For all of these reasons, we cannot support H.R. 1 and strongly oppose the proposed changes outlined above.

Sincerely,



Ted Mitchell  
President

On behalf of:

ACPA—College Student Educators International  
American Association of Colleges for Teacher Education  
American Association of Colleges of Osteopathic Medicine  
American Association of Collegiate Registrars and Admissions Officers (AACRAO)  
American Association of Community Colleges  
American Association of State Colleges and Universities  
American Association of University Professors  
American Council on Education  
American Dental Education Association  
American Psychological Association

Letter concerning House Tax Reform bill

November 6, 2017

Page 5

APPA, "Leadership in Educational Facilities"

Association of American Colleges and Universities

Association of American Medical Colleges

Association of American Universities

Association of Catholic Colleges and Universities

Association of Community College Trustees

Association of Governing Boards of Universities and Colleges

Association of Jesuit Colleges and Universities

Association of Public and Land-grant Universities

Association of Research Libraries

Association of Teacher Educators

College and University Professional Association for Human Resources

Consortium of Universities of the Washington Metropolitan Area

Council for Advancement and Support of Education

Council for Christian Colleges & Universities

Council for Higher Education Accreditation

Council of Graduate Schools

Council of Independent Colleges

Council on Governmental Relations

Council on Social Work Education

EDUCAUSE

Hispanic Association of Colleges and Universities

NAFSA: Association of International Educators

NASPA- Student Affairs Administrators in Higher Education

National Adult Learner Coalition

National Association for College Admission Counseling

National Association for Equal Opportunity in Higher Education

National Association of College and University Business Officers

National Association of Independent Colleges and Universities

National Association of Student Financial Aid Administrators

National Collegiate Athletic Association

The Council for Adult and Experiential Learning (CAEL)

Thurgood Marshall College Fund

UNCF (United Negro College Fund)

UPCEA