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November 6, 2017

The Honorable Kevin Brady
Chairman
Ways and Means Committee
United States House of Representatives
1106 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Ways and Means Committee
United States House of Representatives
1106 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 makes 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:

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

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 non-profits 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 which 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. [1] 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.

[1] 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 non-profits 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. We strongly object to this provision.

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:

American Council on Education
ACPA—College Student Educators International
American Association of Collegiate Registrars and Admissions Officers (AACRAO)
American Association of Community Colleges
American Association of State Colleges and Universities
American Dental Education Association
APPA, "Leadership in Educational Facilities"
Association of American Medical Colleges
Association of American Universities
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

College and University Professional Association for Human Resources
Consortium of Universities of the Washington Metropolitan Area
Council for Adult and Experiential Learning (CAEL)
Council for Advancement and Support of Education
Council of Graduate Schools
Council of Independent Colleges
Council on Governmental Relations
EDUCAUSE
Hispanic Association of Colleges and Universities
National Association of College and University Business Officers
National Association of Independent Colleges and Universities
National Association of Student Financial Aid Administrators
National Association for College Admission Counseling
National Association for Equal Opportunity in Higher Education
National Collegiate Athletic Association
NASPA- Student Affairs Administrators in Higher Education
Thurgood Marshall College Fund
UPCEA