ASSOCIATION OF PUBLIC & LAND-GRANT UNIVERSITIES

November 6, 2017

The Honorable Kevin Brady
Chairman
House Ways and Means Committee
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
Washington, D.C. 20515

Dear Chairman Brady and Ranking Member Neal:

I write to express strong concerns with provisions in H.R. 1, the Tax Cut and Jobs Act, that eliminate essential support for higher education. As President of the Association of Public and Land-grant Universities (APLU) and former Deputy Secretary of the U.S. Department of Treasury for President Reagan, I have a strong appreciation for the importance and impact of these provisions not only for individual taxpayers and students but also our nation overall.

APLU is a research, policy, and advocacy organization dedicated to strengthening and advancing the work of public research universities. Our membership includes campuses in every state which collectively enroll 4 million undergraduates and 1.2 million graduate students, award 1.1 million degrees, employ 1 million faculty and staff, and conduct $40.7 billion in university-based research.

Reforming our nation's tax code is long overdue and we appreciate the effort that went into crafting this legislation. We recognize that policymakers have many priorities they must balance and difficult choices they must make. But as written, the bill would have deeply negative consequences for low and middle income families seeking access to higher education. It would increase the cost of college and impede efforts to develop the highly-skilled workforce needed to propel our nation's economy forward.

I urge you and your congressional colleagues to consider provisions impacting higher education in the context of the critical nature of postsecondary education to individual and societal economic advancement. As the United States has emerged slowly from the Great Recession, what has become increasingly clear is that a college degree is even more essential to employment than previously thought. Of the 11.6 million jobs created after the Great Recession, 11.5 million went to people with at least some college education. The unemployment rate for bachelor's degree holders is just 2.5 percent. Not only are degree holders finding jobs more easily, those jobs are delivering a lifetime of meaningful benefits to the individual as well as tremendous public benefits to our economy and society.

Bachelor's degree holders on average earn nearly $1 million more in their lifetime than high school graduates. College graduates are also considerably less reliant on government services such as Medicaid, housing subsidies, nutrition aid, unemployment benefits, and other public assistance than those with a high school degree. Those who graduated college are three and a half times less likely to be impoverished and nearly five times less likely to be imprisoned. On average, bachelor's degree recipients contribute $381,000 more in taxes than they use in government services over their lifetime. Investments in higher education reduce dependency on public assistance programs, fuel the innovation markets, and grow our national economy.

Our global and economic competitiveness demands our country produce more college graduates. We need more students, from all backgrounds, to enter college and more students in college to graduate. Policymakers have long recognized that the tax code is an important means to advance these goals.

Below I highlight some top concerns with H.R. 1. This is not an exhaustive list, but rather the most significant concerns as we continue to review the legislation. I urge you to reverse these damaging cuts to higher education as the legislative process proceeds. We welcome the opportunity to work with you.

Sincerely,

Peter McPherson
President
Association of Public and Land-grant Universities

CC: Members of the 115th Congress

Eliminating Section 117(d) would skyrocket students' taxable income and damage the nation's scientific research enterprise.

Section 117(d) contains two benefits we strongly urge Congress to retain.

- Section 117(d) allows colleges and universities to provide their employees and their spouses or dependents with tuition reductions for undergraduate education that are excluded from taxable income.

Under the Internal Revenue Code, if an institution chooses to offer tuition discounts to employees, spouses, and their dependents, then all employees must be eligible. The provision benefits a range of employees, including administrative staff, maintenance and janitorial staff, and faculty. According to a 2017 survey conducted by the College and University Professional Association for Human Resources, the majority of employees benefitting from the provision are low and middle income. Fifty percent of recipients of tuition reductions earned $50,000 or less and 78 percent earned $75,000 or less. If Section 117 were repealed, taxable income would increase sharply for those receiving tuition benefits thus providing a disincentive for employees to utilize the benefit and advance their career and life prospects.

- Section 117(d)(5) allows colleges and universities to lower the cost of graduate education for their graduate students who are serving as teaching or research assistants as part of their academic training without the tuition reductions counting as taxable income.

Public universities often support graduate students serving essential roles in our nation's research enterprise with tuition assistance. According to the most recent Department of Education data available, in 2011-12, nearly 55 percent of all graduate students had adjusted gross incomes of $20,000 or less and nearly 87 percent had incomes of $50,000 or less. During the same period, master's degree students received an average of $10,949 and Ph.D. students received an average of $13,609 in tuition waivers for serving as research and teaching assistants. A repeal of Section 117(d)(5) would lead to a completely unaffordable increase in taxable income and make the pursuit of a graduate degree much more challenging, if not impossible, for a large number of these students. In turn, this would greatly damage our nation's scientific research enterprise. Section 117(d)(5) is critical for developing the science and technology workforce pipeline that employers need to propel our nation's economy forward.

Eliminating Section 127 would revoke a critical incentive for the private sector's partnership with higher education.

- Section 127 of the tax code allows for employers to provide tuition reimbursement to employees, tax free (up to $5,250) thus incenting the private sector's investment in the advancement of its employees and encouraging partnerships with colleges and universities.

Section 127 has proven effective in encouraging the private sector to invest in its employees in a way that advances all of society by increasing the number of college graduates and boosting our nation's competitiveness. Section 127 has also led to innovative public-private partnerships between public universities and the private sector. Arizona State University's partnership with Starbucks in the Starbucks College Achievement Plan (SCAP) is a model of the kind of creative partnerships between industry and academia that will help the United States answer its workforce competitiveness needs of the future. Through this program, Starbucks offers all its benefits-eligible employees full tuition coverage toward earning a bachelor's degree. Presently, more than 8,000 Starbucks employees are participating with a Starbucks goal of 25,000 graduates by 2025.

Eliminating the Lifetime Learning Credit without additional changes to the American Opportunity Tax Credit disproportionately harms nontraditional and graduate students.

The American Opportunity Tax Credit (AOTC), which presently is available for up to four years of postsecondary education, works in partnership with the Lifetime Learning Credit (LLC) to encourage higher education and degree attainment. Since there is not a cap on years of eligibility for the comparatively less generous LLC, the benefit fills in gaps of AOTC to support students' advancement to graduate education and support students needing more than four years to graduate (part-time and other nontraditional students). H.R. 1's elimination of LLC without significant expansion of AOTC is not simplification; it is a cut of critical assistance that helps students complete higher education and advance to the next level. While the bill would add a fifth year of AOTC eligibility at half of the benefit, that is not a replacement for LLC. Without further changes, the legislation would leave nontraditional students, who are an increasing percentage of students in postsecondary education, without support while they are working towards their degrees and would repeal critical assistance for graduate students. For graduate students, harm created by repeal of 117(d)(5) would be compounded by repeal of LLC.

APLU urges restoration of LLC or further expansion of AOTC to cover nontraditional and graduate students.

Eliminating Student Loan Interest Deduction would make loan repayment more challenging for borrowers with modest income.

The Student Loan Interest Deduction is important tax relief targeted to borrowers with modest incomes. APLU urges Congress to retain the deduction. Eliminating this provision would increase the cost of student loans by an estimated $13 billion over ten years for those who most need assistance.

Impacts on Charitable Giving and Eliminating SALT are deeply concerning.

While the legislation preserves the deduction for charitable giving, the bill's significant expansion of the standard deduction would have implications for charitable giving as it reduces the number of itemizers and thus the number of individuals who would benefit from the deduction. Only 5 percent of American taxpayers are projected to itemize if the legislation were enacted. We urge Congress to consider proposals that would create a universal charitable deduction so taxpayers are incented to give regardless of whether they itemize. Charitable giving is increasingly important to public colleges and universities as states have sharply reduced support for public higher education.

Another provision, which may have downstream impacts on public higher education, is the proposed elimination of the state and local income tax deduction (SALT). This could make it more challenging for states to generate revenue to support public higher education or perhaps to even maintain current levels of support. Disinvestment in public higher education is a long-term trend that was exacerbated by the Great Recession. After adjusting for inflation, the average state spent $1,448 or 16 percent less per student in 2017 than 2008. In eight states, per-student funding fell by more than 30 percent over this period.