<u>New England Council Higher Education Committee</u>
<u>Statement of Concerns Regarding the Tax Cuts and Jobs Act</u>
<u>December 8, 2017</u>

The New England Council represents a variety of institutions of higher education throughout the region, as well as businesses that rely on access to an educated workforce. We are particularly interested in the success of efforts to strengthen and reform our tax system as it impacts students, graduates, parents, and employers. The Council wishes to express its strong concern with provisions included in the bills passed by the House and Senate that would negatively impact higher education. These provisions would substantially diminish the ability of our nation's colleges and universities to fulfill their education and research missions, and are wholly inconsistent with the legislation's overall goal of strengthening and growing the U.S. economy.

Both the House and Senate version of the Tax Cuts and Jobs Act contain many provisions that would impact the higher education community across the country. Some provisions would undermine the tax-exempt status of private colleges and universities. These provisions would have devastating economic impact on state economies with significant higher education industries and will hamper institutions' ability to serve underrepresented constituents. Based on the collective feedback from our members, the New England Council would like to highlight concerns with the following provisions:

<u>Endowment Tax</u> – Endowments have been a crucial asset for funding student aid and are an important tool used to keep down the cost of college for students. Colleges and universities use their endowments to provide scholarships that ensure access to higher education and establish endowments in order to ensure that they can fulfill their missions long into the future in spite of market volatility. In many cases, gifts made to endowments are designated for specific purposes. Taxing endowments would not only complicate institutions' abilities to serve students, but limit their abilities to use endowments' income to reduce college costs. New England is home to 15 institutions that would be subject to the endowment tax should this legislation pass. This represents 22 percent of institutions nationwide that would be subject to the tax. Endowments help make college more affordable. By diminishing that ability, and by setting a precedent to diminish that ability, this provision would make a higher education less affordable and accessible for many families.

<u>Elimination of State and Local Tax Deduction (SALT)</u> – Elimination of the SALT deduction is likely to lead to a decrease in state funding for higher education. The SALT deduction helps state and local governments fund public services, such as education. Elimination of the deduction would make it more difficult for states to raise these funds, forcing them to find funding elsewhere, such as through tax increases, or reduce spending on public education.

<u>Elimination of Deduction for Tuition and Interest Payments on Student Loans</u> – Eliminating these deductions would make it harder for students to finance their education and to pay off their student loans. This financial burden will create a barrier for many students and reduce access to higher education.

Repeal of Private Activity Bonds and Advance Refunding Bonds – Elimination of private activity bonds and advance refunding bonds will reduce Universities' ability to finance development projects and to refinance tax-exempt debt if lower interest rates become available. These bonds enable savings on project investments such as residence halls, classrooms, and research facilities.

Elimination of the Lifetime Learning Credit and Hope Scholarship Credit – Elimination of these programs will take money directly away from students. Non-traditional students, lifelong learners, and graduate students would no longer be eligible for education tax credit.

Repeal of the Education Assistance Program – Under this provision, employees whose companies provide tuition assistance or scholarships, would see that become a taxable benefit. The Council has long supported efforts to encourage the private sector to contribute to education. This provision would do just the opposite, discouraging employers from giving education assistance to their employees.

Repeal of the Qualified Tuition Reduction - University employees and relatives who receive reduced school tuition would be subject to income tax on value of that benefit. This provision also discourages employers from supporting their employees' education efforts.

Tax on Graduate School Tuition Waivers – Levying a tax on graduate students will cause undue hardship at the highest levels of our education system. The tax will make it harder for students to continue their education and will have an impact on research across the country.

Tax on Licensing of University Logos – The legislation passed by both chambers would broaden the definition of unrelated business such that taxes would apply to royalties generated from a university's name or logo, income that is currently exempt. Licensing of the name or logo of a reputable institution fosters a communal understanding of the unique value of higher education. Importantly, the income is based more on an institution's reputation for quality education, and less on an institution's expenditures, allowing college and universities to use these funds to keep the cost of college low for students.

Tax on Compensation of Nonprofit Organization Employees – The legislation contains a new 20 percent proposed tax of on compensation paid to certain nonprofit employees. Institutions of higher education, as all employers, must compete for talent and executive compensation should not be taxed. The tax exempt status of institutions should not be limited to exclude particular payments.

Repeal of the Exemption for Dependents - The bill would eliminate the ability of taxpayers to claim a deduction for college-age dependents. Taxpayers would no longer be able to claim a deduction for children age 19 to 23 while they attend college. This makes college more expensive for families and creates a disincentive for higher education.

These provisions would make it harder for students and families to save and pay for college. The New England Council urges Congress to remove these troubling provisions from the final tax bill as they would create disincentives for higher education for the American public.

For more information on the Council's Higher Education Committee, please contact Taylor Pichette at tpichette@newenglandcouncil.com or (202) 547-0048.