New England Council Higher Education Committee
Statement of Concerns Regarding the Senate Tax Reform Proposal
November 29, 2017

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 which impacts students, graduates, parents, and employers. The Council wishes to express its strong concern with provisions of the tax package 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.

As you know, the Senate's version of the Tax Cuts and Jobs Act contains 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. Based on the collective feedback from our members, the New England Council would like to highlight concerns with the following provisions:

Endowment Tax – The legislation would create a new tax on college endowments. 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 institution's ability to serve students, but limit their ability 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 precedence to diminish that ability, this provision would make a higher education less affordable and accessible for many families.

State and Local Tax Deduction (SALT) – Unlike the House version of the Tax Cuts and Jobs Act, the Senate version eliminates the SALT deduction for individuals and preserves it for businesses. 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>Tax on Licensing of University Logos</u> – The proposed legislation 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.

<u>Tax on Compensation of Nonprofit Organization Employees</u> – 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.

<u>Repeal of the Exemption for Dependents</u> - 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.

<u>Repeal of Advance Refunding Bonds</u> - The proposed legislation would eliminate advance refunding bonds, reducing Universities' ability 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.

These provisions would make it harder for students and families to save and pay for college. The New England Council discourages the inclusion of these provisions as the Senate weighs tax reform legislation.

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