



ASSOCIATION OF
PUBLIC &
LAND-GRANT
UNIVERSITIES

December 5, 2017

The Honorable Orrin Hatch
Chairman
Senate Finance Committee
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
Washington, D.C. 20510

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

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

Dear Chairman Hatch, Ranking Member Wyden, Chairman Brady, and Ranking Member Neal:

As the House and Senate move to reconcile differences with their respective versions of the Tax Cuts and Jobs Act, I write to provide priorities for our nation's public research universities.

The Association of Public and Land-grant Universities (APLU) is a research, policy, and advocacy organization dedicated to strengthening and advancing the work of public research universities. Our membership includes universities 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.

I urge you and your 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, it is increasingly clear that a college degree is even more essential to employment than before. 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 that 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.

I urge you to protect the provisions below as the conference committee works to reconcile differences. APLU and our member universities welcome the opportunity to work with you.

Sincerely,



Peter McPherson
President
Association of Public and Land-grant Universities

CC: Members of the House Ways and Means and Senate Finance Committees

Maintain Income Exclusion of Tuition Waivers, per the Senate bill.

The elimination of Section 117(d), as proposed in the House bill, would skyrocket some 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(d) 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 an unaffordable increase in taxable income and make the pursuit of a graduate degree much more challenging, if not impossible, for many 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.

We urge that the final bill adopt the Senate's approach in retaining these provisions.

Maintain Section 127 Employer-Provided Tuition Assistance, per the Senate bill.

The elimination of Section 127, as proposed in the House bill, 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. Arizona State University's partnership with Starbucks in the Starbucks College Achievement Plan (SCAP) is a model of the kind of creative initiatives 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.

We urge that the final bill adopt the Senate's approach in retaining this provision.

Maintain the Lifetime Learning Credit, per the Senate bill.

The elimination of the Lifetime Learning Credit without additional changes to the American Opportunity Tax Credit, as proposed in the House bill, would disproportionately harm 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 to 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.

We urge that the final bill adopt the Senate's approach in retaining this provision.

Maintain the Student Loan Interest Deduction, per the Senate bill.

The elimination of the Student Loan Interest Deduction, as proposed in the House bill, would make loan repayment more challenging for borrowers with modest income.

The Student Loan Interest Deduction (SLID) 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 \$24 billion over ten years for those who most need assistance.

Student debt is a valid and increasing concern for all, including policymakers and the public. The elimination of SLID in the House bill would directly and clearly exacerbate student debt loads.

We urge that the final bill adopt the Senate's approach in not eliminating this benefit.

Maintain private activity bonds, per the Senate bill.

Maintain advance refunding bonds.

The elimination of certain tax-exempt bond options, as proposed in both House and Senate bills, would significantly limit the ability of public universities to modernize education and research facilities, and would ultimately drive up costs to students.

Tax-exempt bonds facilitate the construction, renovation, and expansion of critical facilities, including academic buildings, residence halls, modern energy plants, and research laboratories, all essential to advancing our education, research, and community engagement missions. The elimination of some tax-exempt bond options would significantly increase the operating costs of universities -- limiting the opportunities we can provide to students, and ultimately negatively impacting tuition.

Tax-exempt bonds are an increasingly important financing mechanism for public institutions as state appropriations have declined in the substantial majority of states and enrollment has surged. Between the 2008 and 2016 academic years, enrollment at public institutions of higher education increased by more than 826,000 full-time-equivalent students, or 8 percent. Modernizing old and constructing new facilities is imperative for public universities to serve new students.

We appreciate that the Senate bill retains private activity bonds and urge that the Senate prevail on this in final legislation. This is a significant priority for public universities.

We are also greatly concerned that both the House and Senate bills would eliminate advance refunding bonds. Without the tax exemption of advance refunding bonds, operating costs of public universities would significantly increase. As an example, the University of Colorado has saved approximately \$60 million in borrowing costs over the last decade by using advanced refunds.

We urge the preservation of advance refunding bonds. At a minimum, if lawmakers will not remove the provisions repealing advance refunding, we urge a delay in the effective date to December 31, 2018.

Maintain the ability of tax-exempt organizations aggregate taxable income activities consistent with the private sector, per the House bill.

Increasing taxable income of public universities will have substantial consequences to institutions and students.

The Senate bill could significantly increase the amount of unrelated business income tax (UBIT) paid by tax-exempt organizations, including public institutions of higher education. This would be detrimental to university finances and ultimately impact students through the services they receive and tuition they pay. The provision in the Senate bill related to separate computation of UBIT for each activity would tax nonprofits in a highly unusual manner and apply standards that do not exist even in taxing for-profit institutions.

Public universities should pay taxes on unrelated business activities as set forth in the Code. But changes to the Code's guidelines should not result in disparate treatment by holding universities to

standards on taxable income not applicable to corporations. The proposal in the Senate bill that would require separate computation of each “trade or business” rather than in aggregate would be highly unusual and unfair. For example, a for-profit corporation can generally apply losses in one activity to offset gains in another activity for tax purposes. Furthermore, policymakers should not impose needlessly burdensome and unfair recordkeeping and reporting guidelines which would likely result from such a policy.

The ultimate impact of this measure would be fewer resources for public universities to devote to education, research, and community engagement.

We urge that the final bill adopt the House’s approach by not including this provision.