

November 7, 2017

Honorable Paul D. Ryan
House Speaker
United States House of Representatives
H-232 Capitol Building
Washington, DC 20515

Honorable Kevin McCarthy
House Majority Leader
United States House of Representatives
H-107, Capitol Building
Washington, DC 20515

Honorable Nancy Pelosi
House Minority Leader
United States House of Representatives
H-204 Capitol Building
Washington, DC 20515

Honorable Steny Hoyer
House Minority Whip
United States House of Representatives
1705 Longworth HOB
Washington, DC 20515

Dear Speaker Ryan, Majority Leader McCarthy, Minority Leader Pelosi, and
Minority Whip Hoyer:

We write on behalf of the governing board members of America's public and independent colleges and universities to express serious reservations regarding H.R. 1, the Tax Cuts and Jobs Act, and what would be its highly negative effects on higher education.

Our organization, the Association of Governing Boards of Universities and Colleges (AGB), is the premier organization centered on governance in higher education. AGB provides leadership and counsel to member boards, chief executives, organizational staff, policy makers, and other key industry leaders. With over 1,300 member boards representing 1,900 colleges, universities, and institutionally related foundations that are comprised of over 40,000 board members and senior administrators, AGB strives to continuously advance the practice of governance by designing and instilling best practices and advocating nationally on issues that affect higher education.

Governing board members serve as fiduciaries for our nation's colleges and universities, entrusted with the legal authority to establish and oversee all major policies, including oversight of institutional mission, academic quality, and financial health. This means that boards have responsibilities for the stewardship and protection of their institutions' human, physical and financial assets, and hold these assets in trust for both current and future generations. Unfortunately, provisions in H.R. 1 would negatively affect several constituents of higher education, particularly students and employees, and nearly every aspect of college

and university mission, finances, and operations. As such, responsible fiduciaries cannot support H.R. 1 as currently written, and therefore AGB must oppose it.

The provisions that will have major negative repercussions for colleges and universities, and that we oppose, are these:

Students and College and University Employees

H.R. 1 aims to simplify the individual tax credits and reductions meant to assist citizens in affording a postsecondary education. However, while expanding the American Opportunity Tax Credit (AOTC) to allow students and families to claim this credit for an additional fifth year of support, it eliminates several other provisions—including the Hope and Lifetime Learning Credits—that particularly benefit key student populations. As written, the “enhanced” AOTC would preclude part-time students, lifelong learners (particularly those seeking retraining), graduate students, and any student taking longer than five years to finish their education, from accessing the AOTC.

Charitable Giving

H.R. 1 doubles the standard deduction for individuals and couples. While many would benefit, this change would also decrease the number of taxpayers who itemize from 30 percent of taxpayers to just 5 percent and reduce the value of the charitable deduction for most individuals and families. By diminishing incentives for private citizens considering charitable gifts and donations to colleges and universities, H.R.1 could lead to a significant drop in giving. For both private and public colleges and universities, private donations are often crucial to funding operations vital to institutional mission.

Endowments

The House bill proposes an excise tax on investment income for private college and university endowments with assets valued at \$250,000 or more per student. While limited to roughly 70 institutions, this tax would significantly impact how these institutions spend endowment funds and would set a dangerous precedent for taxing institutional endowments in the future. Endowment funds are used to support student financial aid, scientific research, and other critical mission-related activities. Under the new provision, large amounts of endowment dollars would be redirected to the U.S Treasury and away from the hardworking students who need it.

Other provisions of major concern to us affecting current, former and future students:

- Repealing Section 117(d), which allows colleges and universities to offer tuition remission or reduced tuition tax-free to employees and their dependents. Section 117(d)(5) allows graduate teaching and research assistants to receive their fellowships and assistantships without tax consequences. The majority of these graduate students are in STEM fields.
- Repealing Section 127, which allows employers to provide tax-free tuition benefits for employees. If enacted, the provision would severely impair worker retraining programs and college degree and certificate completion efforts.
- Repeal of the Student Loan Interest Deduction (SLID), a deduction essential to help many former students pay off their student loans.

The Joint Tax Committee estimates that if these changes are enacted, current, former, and prospective students, who depend on these benefits to finance their higher education, will lose an estimated \$65 billion in benefits over 10 years.

Other provisions directly affecting colleges and universities that AGB opposes:

- The elimination of the deduction for state and local income and sales taxes and the \$10,000 cap on property taxes—changes that will place downward pressure on state budgets and threaten funding for public higher education.
- Termination of private activity bonds, which will deny access to the tax-free bond market for private colleges and universities and complicate many productive public-private partnerships.

Reforming our national tax system is a noble endeavor, but unfortunately H.R. 1 proposes too many costs, obstacles, and disincentives to students and colleges and universities to merit the support of the Association of Governing Boards.

Sincerely,



David W. Miles
Chair, AGB Board of Directors
Board member (and former Chair), Drake University



Charles A. Shorter
Vice Chair, AGB Board of Directors
Board member, City University of New York



Angel L. Mendez
Secretary, AGB Board of Directors
Board member, Lafayette College



Joyce M. Roché
Vice Chair, AGB Board of Directors
Board member (and former Chair), Dillard University



Richard D. Legon
AGB President
Board member, Spelman College

cc: House Ways and Means Committee