

Office of the President

Testimony for the Record
Submitted to the
U.S. House of Representatives Subcommittee on Select Revenue Measures
of the Committee on Ways and Means
for the April 26, 2012 Hearing on Certain Expiring Tax Provisions

May 10, 2012

On behalf of the higher education associations listed below representing approximately 4,300 two- and four-year public and private colleges and universities, I am submitting this written testimony for the record of the April 26, 2012 hearing on certain expiring tax provisions. We appreciate the opportunity to submit our views to the Subcommittee on Select Revenue Measures on several expired and expiring tax provisions which are important to college students and their families, as well as charitable giving to higher education.

We strongly support extending the American Opportunity Tax Credit (AOTC), the above-the-line deduction for qualified tuition and related expenses (tuition deduction), the Employer-provided Educational Assistance (Sec. 127) benefits, the expanded Student Loan Interest Deduction (SLID), and the expanded Coverdell Education Savings Accounts (ESAs). Each of these provisions help make higher education accessible for millions of Americans and ensure that our nation will have the educated citizenry the future requires. We also strongly support extending the Individual Retirement Account (IRA) Charitable Rollover, a provision that has generated new and increased private support to colleges and universities since its inception in 2006.

Set to expire at the end of the year, the AOTC significantly improves the longstanding Hope Scholarship Credit by increasing the credit from \$1,800 to \$2,500, expanding eligible expenses, making it available for four rather than only two years of college, increasing the income phase-out thresholds, and making the credit partially refundable. Also scheduled to expire this year are improvements originally made to SLID and Coverdell ESAs in the Economic Growth and Tax Relief Act of 2001. If not extended, SLID will be drastically limited by reduced income thresholds and a 5-year limit and Coverdell ESAs will revert to allowing only \$500 in tax-free annual contributions (currently \$2,000). These critical tax benefits are tailored to help students and their families manage the costs of college attendance.

In addition, Sec. 127 will expire in its entirety this year. Originally enacted in 1978, Sec. 127 allows employers to offer up to \$5,250 in tuition assistance to employees annually. These funds offer tax benefits to both employers and student employees. According to the most recent available Department of Education data, the nearly one million American workers who used this tuition assistance in the 2007-2008 academic year had an average annual employment earnings of \$42,711.


This provision has been an important means of building and adding to the competencies of the workforce, and is a critical tool to help our nation accelerate its economic engine. The top majors among recipients of tax-free tuition include science, technology, engineering and mathematics. More than 35 percent of degrees pursued by employees using education assistance are master's degrees. It is essential that Sec. 127 be extended as soon as possible to provide certainty to employers and student employees as they make plans for the coming year and beyond.

Two other tax provisions equally important to higher education – the tuition deduction and the IRA Charitable Rollover – expired at the end of last year. The tuition deduction allows students or parents to deduct up to \$4,000 in eligible higher education expenses from their taxable income. Like the AOTC, the tuition deduction enhances access to higher education by helping to reduce the cost of attending college. The tuition deduction is particularly beneficial to graduate students who are ineligible for the AOTC.

The IRA Charitable Rollover permits IRA owners who are at least 70 ½ years old to make tax-free donations to eligible charities, including colleges and universities. Since it was first instituted in 2006, the IRA Charitable Rollover has proven to be a valuable charitable giving tax incentive that should be extended to help colleges and universities generate new or increased charitable contributions that can be used in a myriad ways to benefit students. Significantly, survey evidence of past IRA rollover gifts to our campuses revealed that a primary use of such gifts by institutions has been student financial aid. Its lapse impaired the ability of colleges and universities to raise charitable funds at a time when private support is increasingly important to schools struggling to weather these challenging economic times, uncertain endowment returns, and severe declines in state appropriations.

All of these tax provisions enhance access to higher education through direct support to students or their families and indirectly by helping generate charitable donations to college and universities that are frequently used to support institutional student financial aid. We thank the Committee for this opportunity to submit this statement for the hearing record and for considering our views.

Sincerely,



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President

MCB/ldw

On behalf of:

American Association of Collegiate Registrars and Admissions Officers

American Association of Community Colleges

American Association of State Colleges and Universities

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American Council on Education

Association of American Universities

Association of Community College Trustees

Association of Jesuit Colleges and Universities

Association of Public and Land-grant Universities

Council for Advancement and Support of Education

Council of Graduate Schools

Hispanic Association of Colleges and Universities

National Association of College and University Business Officers

National Association of Independent Colleges and Universities

National Association of Student Financial Aid Administrators