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Comments to the Senate Finance Committee On Tax Reform and Higher Education July 17, 2017

On behalf of the American Council on Education and the higher education associations listed below, which represent approximately 4,300 two- and four-year public and private nonprofit colleges and universities, we thank you for the opportunity to share our views with the Senate Finance Committee on several tax provisions which are important to college students, families and institutions, as well as on charitable giving tax incentives, particularly the itemized deduction for charitable giving.

During upcoming discussions on tax reform, we ask that Congress examine ways to:

- Encourage saving for higher education expenses by preserving Section 529 Education Savings Plans and Coverdell Education Savings Accounts;
- Consolidate and simplify the American Opportunity Tax Credit (AOTC), the Lifetime Learning Credit (LLC), the tuition deduction, and exclude Pell Grants as taxable income for purposes of the reformed credits;
- Increase the annual limit for Section 127 employer-provided educational assistance and expand this assistance to cover student loan repayment;
- Preserve Section 117(d) and the exclusion of tuition reductions from taxable income;
- Protect and expand the Student Loan Interest Deduction (SLID);
- Preserve and expand the exclusion from taxable income of the discharge of student loan debt through federal programs;
- Preserve the current student FICA exemption;
- Protect the full value of the charitable deduction and enact a universal charitable deduction; and,
- Protect and maintain tax-exempt bond financing, including qualified 501(c)(3) private-activity bonds.

These comments are arranged in the following sections:

I. Introduction

Our nation's long-term economic growth depends upon a well-educated and skilled workforce and upon technological innovations and advancements emanating from scientific research. Workforce projections show that by 2018, there will be jobs for as many as 22 million new workers with college degrees. But on our current trajectory, we will fall short of that goal—in fact, we will miss it by 3 million. In addition, jobs that require advanced degrees are growing at an even faster rate. To change that path, we need to expand access to higher education while improving student retention and degree completion.

Long-term economic growth also depends upon sustained and strong investments in scientific research. Indeed, economists generally attribute more than half of all growth in the United States since the end of World War II to technological innovations and advancements, many of which trace their origins to federal investments in scientific research, including the laser, GPS, and the internet.

Providing society with a well-educated and highly skilled workforce, as well as with technological innovations and advancements, are facilitated not only by direct federal investments, but also by the federal tax code. Over the past several decades, policy makers on both sides of the aisle have recognized the importance of using the tax code to provide incentives and benefits for students and families, and colleges and universities—incentives and benefits of which the nation is the ultimate beneficiary. This letter highlights how several of these tax provisions help students and families finance higher education and provide vital support to colleges and universities. It also suggests ways in which specific student tax credits, tuition assistance benefits, and charitable giving incentives could be simplified or made even more efficient and effective now and in the future.

II. Support for Students and Their Families

While the federal tax code is no substitute for Pell Grants, Federal Work-Study, other federal student aid programs, and the financial aid colleges and universities provide, over the past two decades it has played an increasingly significant role in helping low- and middle-income students and families finance higher education. The tax code contains a number of provisions, enacted independently over time, that together create a framework that functions as a kind of "three-legged stool" intended to advance three important goals: 1) encourage saving for higher education; 2) help students and families pay for college; and 3) assist with the repayment of student loans. This framework serves the needs of low- and middle-income students and families as they invest in themselves and their resources in higher education. Moreover, broadening access to higher education has larger benefits by helping to sustain a stable and productive society.

However, the current set of higher education tax credits and the tuition deduction are broadly acknowledged to be overly complicated and difficult for taxpayers to correctly use.[1] We have long supported legislative efforts to consolidate and simplify these tax incentives to maximize their impact and enhance access to higher education. We believe a consolidated credit can simplify the higher education tax benefits while retaining the positive aspects of the present credits and deductions to better serve low- and middle-income students both now and in the future, helping them attain an associate's or bachelor's degree or pursue post-baccalaureate education or lifelong learning.

Because the opportunity to reform these provisions does not come along very often, any effort to consolidate the American Opportunity Tax Credit (AOTC), Lifetime Learning Credit (LLC) and the tuition deduction should ensure that a reformed AOTC works well for both traditional and nontraditional undergraduates, particularly low- and middle-income students. Further, any credit that consolidates the AOTC and the LLC should provide benefits to graduate students and lifelong learners, many of whom are low-income and need assistance in pursuing additional skill development or the advanced degrees that employers and our economy need.

First, the AOTC is currently limited to four years of undergraduate education. Unfortunately, this framework relies on outdated assumptions about the profile of undergraduates. A reformed, consolidated credit should preserve current benefits for as many students as possible and take into account the demographic profile of all of today's students. The number of these nontraditional students will increase in the future, and any legislation that creates a permanent, consolidated credit should also address their needs. To be sure, many students in college still come from the traditional cohort, age 18-22. However, nearly 50 percent of undergraduates and three-quarters of all students today are adult learners, age 23 or older, with a quarter over age 30, a proportion that will likely continue to grow. These students are not just older than their traditional classmates. They tend to work full-time or have dependents—including multiple roles as

[1] See GAO, *supra* note 2; GAO Testimony before Subcommittee on Select Revenue Measures, Committee on Ways and Means, U.S. House of Representatives, *Multiple Higher Education Tax Incentives Create Opportunities for Taxpayers to Make Costly Mistakes* (May 1, 2008).

parents and caregivers—serve in the military, or some combination of these, and take a longer time to complete their degree. Moreover, 50 percent of all students attend part-time, which inevitably increases time to completion. While the median time to degree for all bachelor's degree recipients is 4.3 years, for adult students (between ages 24-29), the median time to degree is 6.6 years.

Second, we need to preserve tax benefits that enhance access for graduate students. According to the U.S. Department of Education, in 2011-12, a quarter of all graduate students earned less than $11,000, and half were below $32,000. During that same year, there were 1.3 million master's degree students—nearly three-quarters of all graduate students—and approximately 31 percent received no financial aid. Forty-six percent of all master's students and 25 percent of all doctoral students borrowed for their degree. In addition, recent data modeled by the Tax Policy Center (TPC) demonstrates that the LLC is serving students with low and moderate incomes. In 2015, TPC estimates that approximately 3.1 million students with an income at or below $75,000 utilized the LLC, including about 2 million with an income of $40,000 or less.[2]

We welcome the opportunity to work with the Committee on reforming these important higher education tax incentives discussed in more detail below, particularly in ways that enhance access for low and middle-income traditional, nontraditional and graduate students.

Provisions to Encourage Saving for Higher Education:

The tax code currently contains two provisions intended to encourage families to save for higher education: Section 529 Education Savings Plans and Coverdell Education Savings Accounts.

Section 529 Education Savings Plans—Under Section 529, states are authorized to sponsor "Qualified Tuition Programs" that are tax-advantaged savings vehicles for qualified postsecondary education expenses, such as tuition, fees, books, required supplies and equipment, academic-related computer equipment and technology, and room and board. There are two types of 529 Plans: savings plans, which allow families to save for expenses, and pre-paid tuition programs, which generally allow families to make advance tuition payments to cover future attendance at a designated in-state public college or university system.

Coverdell Education Savings Accounts—Under Section 530, individuals can contribute up to $2,000 annually tax-free to pay for the qualified education expenses of a designated beneficiary. Individuals remain eligible to contribute with income up to $110,000 ($220,000 for joint filers). Qualified education expenses are broadly defined to include tuition, fees, course materials, academic-related computer equipment and technology, as well as room and board.

According to a Treasury Department report, Section 529 Education Savings Plans and Coverdell Education Savings Accounts offer "an attractive and convenient means of

[2] See Tax Policy Center, *supra* note 3.

saving for college that offer substantial tax benefits."[3] We strongly believe that the tax code should continue to encourage saving for higher education expenses. By doing so, the federal government incentivizes financial responsibility by families with the means to save for college. This long-term planning helps reduce student debt and allows governments and institutions to better target scarce student aid funds to those without the means to save.

Provisions to Help Pay for Higher Education:

The current tax code contains several provisions that help students and families pay for higher education: the American Opportunity Tax Credit, the Lifelong Learning Credit, the above-the-line deduction for qualified tuition and related expenses (tuition deduction), Section 127 Employer-provided Educational Assistance, Sec. 117(d) Tuition Reduction, and the Student FICA Tax Exemption.

American Opportunity Tax Credit —The AOTC significantly enhances and broadens the Hope Scholarship Credit by increasing it 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. Since its enactment, there has been a significant increase in the use of the AOTC across income levels, particularly for low- and middle-income students and their families.

Lifetime Learning Credit —Under this nonrefundable tax credit, a taxpayer can claim up to 20 percent of the taxpayer's first $10,000—for a maximum of $2,000, which is not indexed for inflation—of qualified tuition and related expenses paid during each calendar year. The LLC is available for all years of postsecondary education, and there is no limit on the number of years it can be claimed. The LLC serves as an incentive for taxpayers to pursue higher education or to acquire new or enhanced job skills, thereby strengthening our nation's workforce.

Tuition Deduction—The above-the-line deduction for qualified tuition and related expenses permits taxpayers to deduct up to $4,000 per year in qualified higher education expenses from their taxable income. The tuition deduction is particularly beneficial to graduate students who are ineligible for the AOTC. The deduction expired at the end of 2016.

We strongly support consolidation and simplification of the AOTC, LLC, and the tuition deduction during tax reform as follows:

- **Preserve and enhance key elements of AOTC/LLC:** A consolidated credit should be permanent, indexed to inflation, include the AOTC's eligible expenses, maintain the AOTC's partial refundability of $1,000 or 40 percent, and preserve the AOTC's phase out for individuals between $80,000 to $90,000 ($160,000 to $180,000 for joint filers).

[3] See U.S. Department of Treasury report, *Analysis of Section 529 College Savings and Prepaid Tuition Plans* (Sept. 2009), p.3.

- **Consolidate the AOTC and LLC into a two-part AOTC:** To simplify the AOTC and LLC, a consolidated AOTC could consist of two parts: 1) part one would consist of the current AOTC, partially refundable, eligible for any student enrolled at least half-time, and limited to four years; 2) part two would provide a non-refundable credit of $2,000 (like the LLC) but as with the AOTC it would cover 100% of the first $2,000 of the AOTC's eligible expenses beyond the first four years of college for non-traditional students, graduate students, and lifetime learners. This would simplify the LLC and create greater parity for these students.

  In addition, the AOTC part two would provide an enhanced benefit for graduate students who have suffered from recent decisions by policy makers to end graduate-student eligibility for federal subsidized loans and force them to pay higher interest rates on student loans than undergraduates, a troubling pattern of increasing the cost of education for students pursuing advanced degrees.

- **Pell Grant interaction fix –** A consolidated AOTC should better coordinate the interaction of the AOTC with Pell Grants, and exclude Pell Grants from taxable income. Currently, the AOTC eligibility formula sharply limits the size of the tax credit received by needy students at the lowest cost schools such as community colleges. As a result, many of the lowest income students do not receive any benefit from the current AOTC.

Increase the Annual Limit for Section 127 Employer-provided Educational Assistance and Expand this Assistance to Cover Student Loan Repayment — Section 127 allows employers to offer employees up to $5,250 annually in tuition assistance, which is excluded from taxable income. We believe this very successful tax provision should be enhanced to allow employers to offer higher levels of tax-favored tuition assistance to their employees. Specifically, we recommend that the $5,250 annual limit, which has not changed since the 1970s, be significantly increased with an automatic adjustment for inflation, and that Section 127 be expanded to permit employers to provide educational assistance to an employee's partner and dependents. This would be an extremely effective reform that would generate more private sector funds for financial aid, particularly for low- and middle-income students.

Preserve Section 117(d) and the Exclusion of Tuition Reductions From Taxable Income—Section 117(d) permits educational institutions, including colleges and universities, to provide their employees, spouses or dependents with tuition reductions that are excluded from taxable income. This longstanding provision helps employees and members of their families afford a college education, providing a crucial benefit to many low and middle-income college employees.

A broad cross-section of college and university employees benefit from Section 117(d). Indeed, under the law, if an institution chooses to offer this benefit, then all employees must be able to receive it. As such, the benefit has been used by a range of employees, including secretaries and other frontline administrative staff, maintenance and janitorial staff. *The majority of employees benefitting from the provision are low and middle-income*. According to a 2017 survey of nearly 300 institutions by the College and University Professional Association for Human Resources, 50 percent of employees receiving tuition reductions for themselves or family members earned $50,000 or less, and 78 percent earned $75,000 or less. Based on conservative estimates, more than 27,000 undergraduate students received an employee or employee family tuition reduction in 2011-12.[4]

Section 117(d) gives colleges and universities an important tool for recruiting and retaining valued employees—whether faculty, administrative staff, or maintenance staff—helping maintain the quality of education, research, and public service our schools can offer. It has been particularly important for many small, private, denominational schools to compete for top employees.

This provision also enhances access to graduate education, as many schools combine the Section 117 Qualified Scholarships exemption with Section 117(d)(5) to reduce the cost of graduate education and mitigate the tax liability of graduate students teaching and researching as part of their academic programs, many of whom earn very little and increasingly finance their own graduate educations. In 2011-12, nearly 55 percent of all master's and doctoral students had adjusted gross incomes (AGI) of $20,000 or less, and nearly 87 percent had AGIs of $50,000 or less. During that same time period, master's degree students received an average of $10,949 and doctoral students received an average of $13,609 in tuition remission for serving as research and teaching assistants. Even with this tuition remission, 46 percent of all master's students and 25 percent of all doctoral students borrowed for their degree. The median amount of those loans per year was $15,665 for master's students and $17,629 for doctoral students.

The provision is also critical to the research endeavor at major universities, particularly in the crucial STEM fields. According to data from the Department of Education, 57 percent of tuition reductions went to graduate students in STEM programs. Close to 145,000 total graduate students received a tuition reduction in 2011-2012. Id.

Repeal of this provision would result in thousands of graduate students being subjected to either a major tax increase or a significant increase in tuition as universities would be

[4] U.S. Department of Education, National Center for Education Statistics, 2011-2012 National Postsecondary Student Aid Study (NPSAS).

forced to curtail tuition reductions. Unfortunately, this would likely lead to increased student debt because many of these students would be forced to borrow to pay these taxes or their tuition bills. Moreover, repeal would negatively impact research endeavors at major research universities across the country, which rely to a great extent on the work of graduate of students. For all of these reasons, we strongly believe that Section 117(d)(5) should be preserved.

Preserve the Student FICA Exemption— Enacted in 1935, this provision supports college students who work on campus by exempting them from paying FICA (Social Security and Medicare) taxes. This policy provides an important, indirect form of financial aid by excluding student "self-help" from the payroll tax and ultimately helps provide the United States with a well-educated labor pool. Based on conservative estimates, during the 2011-12 academic year, close to 2.5 million undergraduates (11 percent) reported working on-campus earning on average close to $6,500. Nearly 435,000 graduate students (12 percent) reported working in a graduate assistantship during the same time period, earning on average approximately $14,600.

The elimination of the student FICA exemption would on average per year impose a new tax on these undergraduates of approximately $536 and on the graduate students of approximately $1,100.[5] Repeal of the student FICA exception would also have the effect of cutting college and university operating funds and financial aid resources, potentially resulting in increased tuition costs by adding an almost 8 percent new tax burden on college and university student payrolls, a significant new expense for many institutions. As a result, we believe that the student FICA exemption should be preserved as part of the broader system of federal financial aid.

Provisions to Assist in Repayment of Student Loans:

The current tax code contains provisions that affect the ability of students to repay their student loan debt. As students increasingly rely on loans to finance their college education, we strongly believe the tax code should continue to assist borrowers as they repay their loans.

Student Loan Interest Deduction (SLID) —SLID currently permits taxpayers with less than $75,000 of income ($155,000 for joint filers) to deduct up to $2,500 in federal student loan interest payments each year. Recent federal actions have increased borrowing costs for all student borrowers and eliminated the in-school interest exemption for graduate student borrowers. With these increased loan costs, SLID has become even more important. The current $2,500 interest limit has been in place since 1997. SLID should be preserved and the full amount of interest should be deductible.

Preserve and Expand the Exclusion of Discharge of Student Loan Debt— Currently, the tax code provides an exclusion for student loan debt that is forgiven for individuals who worked for a specified time period in certain professions or for a class of employers. This tax exclusion applies to several federal and state loan forgiveness

[5] U.S. Department of Education, National Center for Education Statistics, 2011-2012 National Postsecondary Student Aid Study (NPSAS).

programs, including the Public Service Loan Forgiveness program for borrowers working in government and certain nonprofit jobs, the TEACH program to assist future teachers, and the National Health Services Corps Loan Repayment Program, which assists medical health professionals working in underserved areas of the country. Each of these programs permits former students with high student loan debt to more easily manage their debt and avoid default in exchange for working, likely for lower salaries, in careers that serve our society.

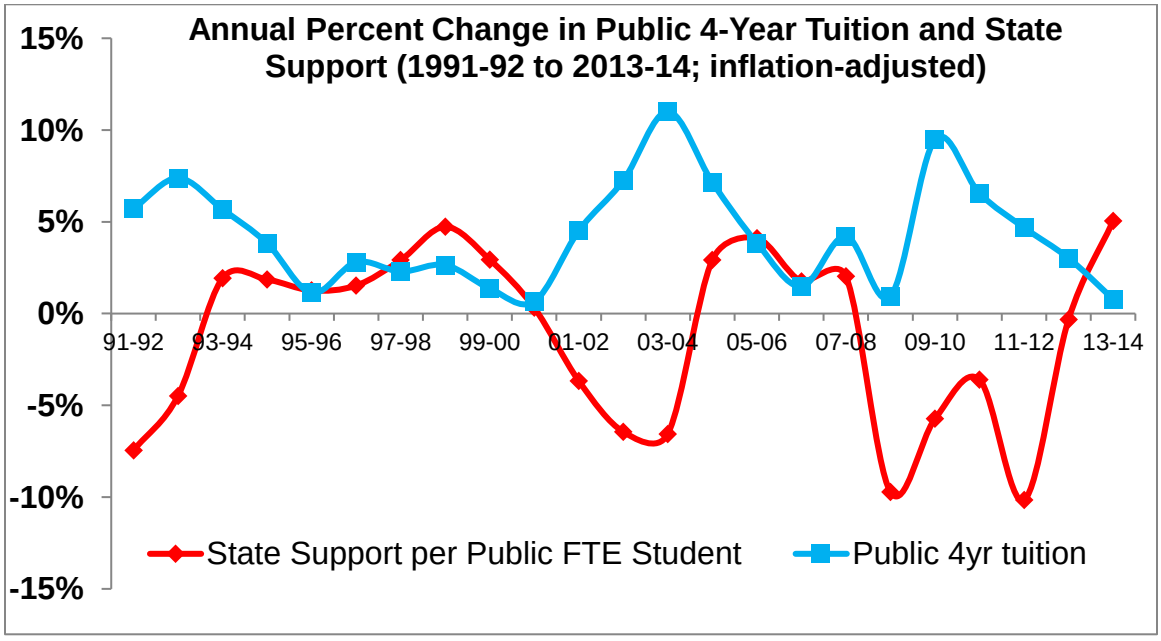
Congress created various student loan forgiveness programs, including some of the programs mentioned above, in an effort to increase college access and affordability by lowering the burden of student loan debt. We have long supported these efforts and the tax exclusion of the discharge of remaining student loan debt as part of these programs because we believe in the policy goal and the attendant benefits it provides to society at large. Indeed, we have long advocated that this tax exclusion be extended to two other federal loan forgiveness programs, Income-Based Repayment (IBR) and Income Contingent Repayment (ICR), to which it does not currently apply. At a time when more students are borrowing more money for college, this exclusion should be preserved and expanded to cover amounts forgiven under the IBR and ICR programs.

Expansion of Section 127 Employer-provided Educational Assistance for Student Loan Repayment — We strongly support various legislative proposals to create another tool to assist with the repayment of student loans through Section 127. Specifically, we recommend that the tax exclusion for Section 127 employer-provided educational assistance be expanded to permit an employer to make payments up to a specified amount each year to an employee or lender for the principal or interest on any qualified education loan incurred by the employee. This expansion of Section 127 potentially could generate substantial private sector funds for student loan repayment through a new public-private partnership to help address the increasing burden of student loan debt on students and recent graduates.

III. The Charitable Deduction and Charitable Giving

Now more than ever, the ability of colleges and universities to fulfill their teaching, research and public service missions depends upon charitable giving. According to the Council for Aid to Education, colleges and universities in 2016 received about $41 billion in charitable gifts, an increase of 1.7 percent over the previous year. Private donations work in concert with federal and state investments in student aid to ensure access to higher education for students irrespective of their socioeconomic status. Charitable gifts also support teaching, groundbreaking research and technological innovation, and the public-service activities of colleges and universities. In short, the partnership with private donors has delivered enormous economic benefits to our society. But unfortunately, it is a partnership undergoing severe stress.

Colleges and universities are facing great financial challenges, escalating the importance of private giving to help restrain tuition increases and sustain these anchor institutions. For public institutions, which enroll approximately 80 percent of all students in the nation, the single largest factor driving up tuition is declining state support. Indeed, there is a direct and inverse relationship between the level of state appropriations and the level of tuition increases, as illustrated in the chart below:



Source: College Board, 2014.

As a result of the Great Recession, state support per student for public higher education fell to a 20-year low in 2011-12, triggering increased tuition at public institutions to offset reduced state appropriations. Adjusting for inflation, in 2010, 2011 and 2012, state and local support per student was the lowest in the last 25 years. Although state and local support per student rose in 2013 and 2014, it still remains significantly lower than pre-recession levels. Due to this state disinvestment in public education, students and families pay an increasingly larger portion of educational costs. Twenty-five years ago, tuition accounted for 24.5 percent of public higher

education revenues. Today, that figure is nearly double. Under these circumstances, private philanthropy is critical to helping public college and universities respond to the loss of state appropriations.

Private colleges and universities face a different set of circumstances. They have always relied upon charitable gifts to achieve their educational missions. In fact, many private institutions owe their very existence to generous charitable gifts. Few independent institutions receive significant amounts of state support for their operating budgets. Some states provide financial aid that helps students attend these institutions, but when state financial aid is reduced as a result of budget cuts, private colleges must use even more of their own funds to fill the gap. Private institutions have increased college and university grants, scholarships and fellowships for students.[6] This institutionally provided aid is funded in significant part by charitable donations.

The charitable deduction and the giving it generates has been critical in helping create and sustain endowments in higher education, which play an increasing role in the financing equation of higher education and in making a college education affordable. While the vast majority of the nation's 4,700 colleges and universities do not have significant endowments,[7] colleges and universities with larger endowments use those resources to provide substantial student financial aid to enhance access, particularly for low- and middle-income students. Indeed, the schools with the largest endowments often have the lowest net price because they provide significant grant aid to students.

Charitable giving is also essential to building and sustaining our country's world-class, globally renowned universities. According to The Times of London, 17 of the world's top 25 universities are American. These institutions depend on their endowments not only to ensure educational opportunities can be sustained for many generations to come, but also support new and emerging fields of study and research. Endowments support nearly every aspect of an institution's operation, and every dollar spent from an endowment to deliver an education—from libraries to laboratories—reduces the cost to all students. At many schools with largest endowments, funds from endowments are the largest source of financial support, ranging from 20-50 percent of their operating budgets. These institutions have successfully managed their endowments to provide resources for the benefit of current students and society, while also protecting the needs of future students.

[6] 2016 NACUBO Tuition Discounting Survey.

[7] According to the U.S. Department of Education, National Center for Education Statistics, in 2014-15 the median endowment was $29.9 million at private, four-year colleges and $28.9 million at public, four-year colleges.

Preserving and Enhancing the Charitable Deduction

For private nonprofit and public colleges and universities, the charitable deduction is vital to generating private support to help achieve their educational missions of teaching, research and public service. We urge you to proceed very cautiously when considering any changes to the current charitable deduction, which is an extremely efficient and effective incentive for giving that supports many beneficial purposes and causes and, ultimately, our society.

While current tax reform proposals under discussion preserve a charitable giving incentive, its value would be significantly curtailed and charitable giving would decline. An unintended consequence of doubling the current standard deduction threshold as has been proposed would be the reduction of the number of taxpayers who itemize their tax returns (from roughly 30 percent of taxpayers to 5 percent), effectively eliminating the charitable deduction for 95 percent of Americans. A recent study commissioned by Independent Sector and conducted by Indiana University's Lilly Family School of Philanthropy estimates that the current tax reform proposals being discussed would decrease charitable giving by $13.1 billion.[8]

Fortunately, there is a policy solution that addresses this unintended consequence. Enactment of a universal, or above-the-line, charitable deduction would allow all American taxpayers to subtract their charitable gifts from their income before they determine whether to take the standard deduction or itemize their tax returns. The Independent Sector study found that the inclusion of the universal charitable deduction in tax reform would result in a $4.8 billion increase in charitable giving at a modest cost to the federal government.[9]

While there is no replacing the investments made by the federal government in student financial aid and scientific research, private charitable giving plays a greater role in supplementing them. We believe that tax policy should encourage everyone, regardless of their income, to make philanthropic gifts to colleges, universities and other charities. As we celebrate the 100th anniversary of the charitable deduction, we urge the Committee to expand this important giving incentive to everyone by enacting a universal charitable deduction as part of tax reform.

[8] http://www.independentsector.org/wp-content/uploads/2017/05/tax-policy-charitable-giving-finalmay2017-1.pdf.

[9] The study found that increased charitable giving would slightly exceed the cost to the government in tax revenue if taxpayer responsiveness to the incentive is high. If taxpayer responsiveness is moderate or low, the revenue cost would be 5.4 billion and 10.8 billion respectively.

The IRA Charitable Rollover

Since its enactment in 2006, the IRA Charitable Rollover has proven to be a very valuable incentive that has helped a wide range of nonprofit organizations generate new or increased contributions. The IRA Charitable Rollover permits individuals age 70½ and older to donate up to $100,000 from their Individual Retirement Accounts (IRAs) and Roth IRAs to public charities, including colleges and universities, without having to count the distributions as taxable income. Many donations made through this provision to colleges and universities have gone to support student financial aid. The IRA Charitable Rollover is particularly beneficial to so-called "non-itemizers"–individuals who do not itemize tax deductions and cannot take advantage of the charitable deduction. Moreover, taxpayers in states that do not allow itemized deductions and follow federal income inclusion rules may save on their state taxes by making qualified charitable distributions from their IRAs. The IRA Charitable Rollover should be preserved.

IV. Tax Exempt Financing

We urge the Committee to protect and maintain tax-exempt bond financing, including qualified 501(c)(3) private-activity bonds. Access to these bonds contributes significantly to the financial health of colleges and universities across the United States.

Public universities are typically a component of state or local governments, while independent, community-based institutions are recognized as tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code. Tax-exempt bond financing available to public institutions is also referred to as municipal bonds; it is available to nonprofit colleges, universities and hospitals as qualified 501(c)(3) private activity bonds.

Simply stated, low-cost access to capital helps keep infrastructure expenditures low; taxable debt is more costly. In order to fulfill their educational, research and public services, colleges and universities prudently use tax-exempt bond financing to acquire, construct, renovate and expand capital infrastructure such as academic buildings, residence halls, modern energy plants and more. In 2016, higher education bond sales reached $18.4 billion.

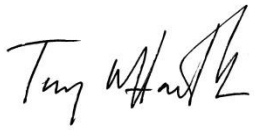
We recognize that Congress has explored a number of alternative proposals to tax-exempt financing, such as Build America Bonds (BABs). While these bonds were not available to independent colleges, many public colleges and universities issued BABs when they were available. We are open to considering other direct pay programs. Should BABs be reinstated in some form, we support expanding eligibility to include private 501(c)(3) institutions.

V. Conclusion

We strongly support the "three-legged stool" framework in the current tax code that encourages saving for higher education, helps students and families pay for college, and assists borrowers as they repay student loans. Our nation's long-term economic growth depends upon a larger well-educated and trained workforce. Together these tax provisions help improve access to and completion of higher education and advance the goal of producing a skilled force essential to our economy. We believe that tax reform provides an excellent opportunity to improve some of the individual provisions that will make the framework more effective for students, their families and taxpayers repaying student loans. We also urge you to preserve strong federal tax incentives for charitable donations and avoid measures that could significantly affect giving and thereby harm students, as well as the colleges and universities that serve them and our nation.

We thank the Committee for the opportunity to submit these comments and for considering our views. As efforts to reform the tax code move forward, we stand ready to work with you.

Sincerely,



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On behalf of:
American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Medical Colleges
Association of American Universities
Association of Community College Trustees
Association of Governing Boards of Universities and Colleges
Association of Jesuit Colleges and Universities
Association of Public and Land-grant Universities
College and University Professional Association for Human Resources
Council for Advancement and Support of Education
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Thurgood Marshall College Fund
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