



December 6, 2017

Dear Members of the Louisiana Congressional Delegation:

We write on behalf of Louisiana's public institutions of higher learning regarding the U.S. House and U.S. Senate versions of the Tax Cuts and Jobs Act. We appreciate your effort to update the nation's tax code and your focus on growing jobs that will provide opportunities for the graduates of our institutions. As you advance this comprehensive overhaul of our nation's tax code to congressional conference, we urge you to discuss the impact it will have on the students and families of Louisiana with the conferees. We understand that you must balance many priorities throughout the legislative process. However, we ask that you avoid making changes to the tax code that make obtaining a postsecondary education more expensive for Louisiana students and further threaten the financial stability of our institutions at a time when Louisiana's public postsecondary system is among the lowest funded in the nation.

We are concerned that the provisions below within the House and Senate bills will negatively affect student access to quality higher education and increase student and graduate loan indebtedness, hindering efforts to advance educational attainment and our nation's economic competitiveness:

- Repeal of Lifetime Learning Credit, while not substantially increasing the American Opportunity Tax Credit (AOTC); [House]
- Repeal of the qualified tuition reduction; [House]
- Repeal of educational assistance programs; [House]
- Repeal of the Student Loan Interest Deduction (SLID); [House]
- Repeal of advance refunding bonds; [House and Senate]
- Termination of private activity bonds; [House]
- Requirement to calculate separately unrelated business taxable income (UBTI) derived from each business. [Senate]
- Repeal of the charitable deduction for the right to purchase tickets for athletic events; [House and Senate]

We include an analysis of each provision listed above in the attachment to this letter.

In conclusion, we believe that a robust higher education system is critical to meeting workforce goals and ensuring Louisiana graduates are prepared to reap the economic benefits Louisiana has realized. We urge you to search for other ways to offer tax relief that do not reduce access to a quality education in Louisiana. Thank you for your efforts, and please contact us if we can be of assistance.

Sincerely,



F. King Alexander, President  
Louisiana State University System



Ray L. Belton, President  
Southern University System



Monty Sullivan, President  
Louisiana Community & Technical  
College System



Jim Henderson, President  
University of Louisiana System



Joseph C. Rallo  
Commissioner of Higher Education  
Louisiana Board of Regents

## Summary of Louisiana Public Higher Education's Concerns on Congressional Tax Reform

The information below is summarized from the American Council on Education, the Association of Public & Land-Grant Universities, and the Joint Committee on Taxation.

- **Repeal of Lifetime Learning Credit (LLC), while not substantially increasing the American Opportunity Tax Credit (AOTC); [House]**
  - Eliminating the Lifetime Learning Credit without additional changes to the American Opportunity Tax Credit disproportionately harms nontraditional and graduate 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 a 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.<sup>1</sup>
- **Repeal of the qualified tuition reduction; [House]**
  - Section 117(d) allows institutions to provide tax-free undergraduate-level tuition waiver or reimbursements (for study at schools with reciprocal agreements) to employees, spouses and dependents. It also allows tax-free tuition of individuals employed as graduate-level teaching and research assistants. 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 this section were repealed, taxable income would increase significantly for tuition benefit recipients thus providing a disincentive for employees to utilize the benefit.
- **Repeal of educational assistance programs; [House]**
  - Businesses around the nation are increasingly turning to public-private partnerships as a way to invest in employees and boost competitiveness. Under current law, employer-provided education assistance is excluded from income, limited to \$5,250 per year. Repealing this provision would revoke an effective incentive for the private sector's partnership with higher education.
- **Repeal of the Student Loan Interest Deduction (SLID); [House]**
  - The SLID provides critical tax relief for borrowers of modest incomes by allowing an above-the-line deduction on interest paid on qualified education loans. In 2014, 12 million taxpayers benefited from SLID. Eliminating this provision would mean that, over the next decade, the cost of student loans for borrowers would increase by roughly \$24 billion.<sup>2</sup>

- **Repeal of advance refunding bonds; [House and Senate]**
  - Both the House and Senate bills would eliminate advance refunding bonds, an important financing tool to refinance outstanding debt at lower interest rates. University-affiliated foundations and facilities corporations often undertake capital projects and renovations on dorms, classrooms, and research facilities. These activities are a more effective and efficient alternative to the state capital outlay process.
- **Termination of private activity bonds; [House]**
  - The House bill would terminate private activity bonds, which, like advance refunding bonds, are used by university-affiliated foundations and corporations to construct and renovate facilities that support the university. The termination of these bonds will increase the cost of construction projects.
- **Requirement to calculate separately unrelated business taxable income (UBTI) derived from each business; [Senate]**
  - Thankfully, the Senate removed a proposal that would have subjected name and logo royalties to the unrelated business income tax. However, provisions remain in the Senate bill remain related to UBTI that would tax nonprofits institutions in a highly unusual manner and apply standards that are not found in corporate taxation. The provision would separate computation of each trade or business rather than allowing institutions to aggregate them. This provision adds undue pressure on college and university budgets, particularly as Louisiana’s public postsecondary institutions are constantly pressured to operate more like a business.
- **Repeal of the charitable deduction for the right to purchase tickets for athletic events; [House and Senate]**
  - The provision repeals section 170(l) of the Internal Revenue Code, which generally provides that a taxpayer may deduct 80% of certain payments to institutions of higher education in exchange for which the taxpayer receives the right to purchase tickets or seating at an athletic event of such an institution. These payments are often for “athletic seat licenses” and the proceeds received for said licenses are often used for operational costs, scholarships and debt obligations.

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<sup>1</sup>Letter from the Association of Public and Land-Grant Universities to the Senate Finance Committee. (Nov. 11, 2017) <http://www.aplu.org/members/councils/governmental-affairs/policy-issues/APLU-Tax-Reform-Letter-Final.pdf>

<sup>2</sup>Letter from the American Council on Education to the Ways and Means Committee. (Nov. 6, 2017) <http://www.acenet.edu/news-room/Documents/Letter-on-House-Tax-Cuts-and-Jobs-Act.pdf>