On November 20, the following letter was sent to Senator Brown, Senator Portman, Congresswoman Fudge, Congressman Gibbs, Congressman Johnson, Congressman Joyce, Congresswoman Kaptur, Congressman Renacci, and Congressman Ryan.

Dear Representative:

Thank you for your work on behalf of the citizens of the state of Ohio and our nation. With the size and scope of Kent State University's eight-campus system, your contributions to the KSU Legislative Coalition are critically important to the success of our students and your university, the largest university in Northeast Ohio.

The Kent State University community remains deeply concerned that provisions contained in the Tax Reform bills will have a dramatically negative impact on students and families seeking a path to a brighter future through higher education.

The House and Senate tax bills both propose changes that **increase costs for students**, while also **limiting our university's abilities to generate alternative revenue** and philanthropic support. As this legislation moves forward, we respectfully urge you to take steps to address the following concerns:

RESTORE NON-TAXABLE TUITION BENEFITS FOR GRADUATE STUDENTS ENGAGED IN TEACHING AND RESEARCH

> 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.
>
> *Kent State University supports 1,105 graduate students serving essential roles in our nation's research enterprise with financial and tuition assistance. According to the Kent State's most recent data, <u>90.4% of graduate students earned less than $25,000</u>.*
>
> Taxing graduate student stipends and waivers will materially impact Kent State University's ability to advance our research enterprise, which depends on recruiting and retaining talented, research-focused graduate assistants and post-doctoral students. STEM education and research contribute to the economic vitality of our state and our nation. Taxing these earnings creates an undue burden on students whose contributions fuel our research growth and productivity.

RESTORE THE LIFETIME LEARNING CREDIT

> Eliminating the Lifetime Learning Credit (LLC) without additional changes to the American Opportunity Tax Credit disproportionately harms nontraditional and graduate students. [House Bill]. The American Opportunity Tax Credit (AOTC), is presently 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.

Elimination of LLC without expansion of AOTC is not simplification; it is a cut of critical assistance for students pursuing higher education and advancing their workforce contributions. Without further changes, the legislation disproportionately affects nontraditional students, who are an increasing percentage of students in postsecondary education, 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.

This table provides an example of the expected tax increases for graduate students based on the proposed language to eliminate Sec 117(d)(5) and the Lifetime Learning Credit:

	Stipend Value	Tuition Waiver Value	Taxable Income Before New Tax Bill	Taxable Income After New Tax Bill	Tax Paid Before New Tax Bill	Tax Paid After New Tax Bill	Increase in Payment	Percent of Stipend
John	$14,500	$9,500	$8,550	$18,050	$847.50	$2,272.50	$1,425 (168% Increase)	16%
Jane	$7,000	$6,500	$1,050	$7,550	$105	$755	$650 (619% Increase)	11%

RESTORE SECTION 117(D) THAT PROVIDES TUITION REDUCTIONS FOR DEPENDENTS OF UNIVERSITY EMPLOYEES

Section 117(d) currently allows colleges and universities to provide employees and their dependents with undergraduate tuition reductions that are excluded from taxable income.

At Kent State University, 41% of those utilizing the tuition program earn $40,000 or less. When earnings are expanded to $50,000 or less, utilization increases to 59%.

The provision benefits a range of employees, including administrative staff, maintenance and custodial staff. The tuition benefit aids employee retention and allows Kent State University to be competitive in recruiting and retaining talented individuals who want to advance their earning potential and capacity to contribute to the communities they serve.

PROTECT TAX-EXEMPT BONDS THAT PROVIDE A COST-EFFECTIVE OPTION FOR UNIVERSITIES TO RENOVATE AND UPGRADE ESSENTIAL FACILITIES

The current proposal to eliminate some tax-exempt bond options will limit the ability of public universities to modernize education and research facilities, and drive up costs. [House and Senate Bills] Tax-exempt bonds facilitate the construction, renovation, and expansion of critical facilities including academic buildings, residence halls, energy plants, and research labs, all essential to advancing our education, research, and community engagement missions.

At Kent State, recent debt refinancing translated to a total gross savings of $12.6 million and an annual reduction in debt service of nearly $840,000 over the 15-year maturity period. These cost savings contribute to the university's capacity to better serve our students and reduce costs to students and their families.

The elimination of tax exempt bond options would significantly increase operating costs for Kent State University at a time when state capital resources have been restricted or not available.

RECONSIDER ELIMINATING SECTION 127, WHICH WOULD REVOKE A CRITICAL INCENTIVE FOR PRIVATE SECTOR 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.

RECONSIDER ELIMINATING STUDENT LOAN INTEREST DEDUCTION

The Student Loan Interest Deduction is important tax relief targeted to borrowers with modest incomes. We urge 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.

REVERSE ACTIONS THAT NEGATIVELY IMPACT CHARITABLE GIVING

While the current legislation preserves the deduction for charitable giving, the bill's significant expansion of the standard deduction would have negative implications for charitable giving as it reduces the number of itemizers and thus the number of individuals who benefit from the deduction.

Another provision, which may have downstream impacts on public higher education, is the proposed elimination of the state and local tax (SALT) deduction. This could make it more challenging for states to generate revenue to support public higher education or even maintain current levels of support.

INCREASING TAXABLE INCOME OF PUBLIC UNIVERSITIES WILL HAVE SUBSTANTIAL CONSEQUENCES TO INSTITUTIONS AND STUDENTS [SENATE BILL]

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. The new provisions in the Senate bill related to UBIT would tax nonprofits in a highly unusual manner and apply standards that do not exist even in taxing for-profit institutions.

The new tax code guidelines should not result in disparate treatment by holding universities to standards on taxable income not applicable to corporations. We urge the Senate to remove these new UBIT provisions as the legislative process proceeds.

IN SUMMARY, THESE PROVISIONS OF THE PENDING LEGISLATION WOULD SIGNIFICANTLY INCREASE THE COST OF OBTAINING A COLLEGE DEGREE FOR STUDENTS, AND EMPLOYEES; INCREASE UNIVERSITY OPERATING COSTS; AND REDUCE INCENTIVES FOR CHARITABLE GIVING.

These negative consequences would ultimately compromise the services students receive and tuition they pay, and impede efforts to develop the highly-skilled workforce needed to propel our nation's economy forward.

The financial benefits of a college degree are well documented. *Bachelor's degree holders on average earn nearly $1 million more in their lifetime than high school graduates.* The unemployment rate for bachelor's degree holders is just 2.5%. 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.

Our global and economic competitiveness demands our country produce more college graduates. We need more students, from all backgrounds, to not only enter college but to persist to the finish line of a college degree. Often, insufficient finances will deter progress toward a degree and in some cases, eliminate even the possibility of degree attainment. Policymakers have long recognized that the tax code is an important means to advance the goals of an educated workforce that contributes to the betterment of our society.

Thank you in advance for your consideration of our concerns. Please feel free to contact me directly with any questions.

Sincerely,

Beverly J. Warren
President