UNIVERSITY of MARYLAND
BALTIMORE

Jay A. Perman, MD
President
University of Maryland, Baltimore
220 Arch Street
Baltimore, MD 21201
410 706 7002

umaryland.edu

November 13, 2017

The Honorable Elijah E. Cummings
2163 Rayburn House Office Building
Washington, DC 20515-2002

Dear Congressman Cummings:

As Congress begins to consider **H.R. 1, Tax Cuts and Jobs Act**, I write to express the concerns of the University of Maryland, Baltimore (UMB) community—our students, faculty, and staff. As Maryland's only public health, law, and human services university conferring the majority of the state's professional practice degrees, I hope you will work to address our concerns as the legislation moves forward.

UMB's objections to H.R. 1 are not unique. In fact, the higher education sector, which includes colleges large and small, with an array of missions—theological seminaries, music conservatories, religious institutions, liberal arts colleges, community colleges, and comprehensive research universities—would be uniquely and adversely affected by the wide-ranging scope of the proposed tax changes. This legislation has the potential to make college more expensive and less accessible by changing how students and families pay for college, eliminating workforce benefits, and making the way colleges operate costlier.

The high cost of college has been a consistently prominent topic across this country. At UMB, we are working our hardest to keep costs and tuition as low as possible. Given these efforts, it is troubling to see the degradation of widely popular educational incentives on which our students, employees, and alumni depend. We use Section 117d and Section 127 to improve our workforce, retain valuable employees, and build from within. I hope you will work to protect the following provisions:

- Student Loan Interest Deduction;
- Section 117d: Qualified Tuition Reductions; and
- Section 127: Employer-Provided Education Assistance.

The legislation also makes significant changes to charitable giving. The charitable deduction is vital for generating private support to help UMB achieve its mission: *To improve the human condition and serve the public good of Maryland and society at-large through education, research, clinical care, and service.*

We are concerned that doubling the standard deduction for individuals and couples will decrease the number of taxpayers who itemize, significantly reducing the value of the charitable deduction and leading to a drop in donations to all nonprofits, including UMB. While the bill preserves a modest charitable giving incentive, its value would be significantly curtailed.

In addition, the limitations on cash gifts—the 50 percent limitation for cash contributions to charitable organizations would be increased to 60 percent of adjusted gross income—and additional reporting requirements for organizations sponsoring donor-advised funds could damage our charitable giving. There is an expectation that private philanthropy will have to absorb the deficit that many nonprofits—including higher education institutions—will experience as a result of this tax legislation. It is counterintuitive, therefore, to reduce or eliminate the tax-related incentives that numerous studies indicate drive charitable giving.

One significant modification that would encourage more broad-based charitable support is to include in the legislation the Universal Charitable Deduction, allowing people from all income brackets to deduct charitable gifts from taxable income. The benefit to countless charitably supported organizations—and to society—would be substantial.

Finally, I have concerns about two provisions regarding unrelated business taxable income (UBTI). The legislation includes an exclusion of research income only from publicly available research. For example, UMB would be able to exclude from UBTI only income from fundamental research whose results are freely available to the public. The monetary impact and the administrative requirements of tracking this research would sharply decrease our incentive to take on defense-related and industry-related work. It could also weaken our tech transfer enterprise, which creates Maryland jobs and brings new health science technologies to market.

The legislation also proposes to increase UBTI by the amount of certain fringe expenses for which a deduction is disallowed. Thus, we would be taxed on the value of providing our employees with transportation fringe benefits, and with on-premises gyms and other athletic facilities, by treating the funds used to pay for such benefits as UBTI. This action subjects the value of those employee benefits to a tax equal to the corporate tax rate.

This tax legislation comes at a time when lawmakers, the public, and colleges themselves are keenly focused on lowering costs and student debt burdens. This bill is antagonistic to those very efforts. The aggregate impact of the proposals I have discussed would be disruption to our budgeting and planning activities, damage to our institutional revenue streams and expenditures, and most importantly, harm to our students, employees, and alumni.

I thank you for hearing me out on these critical issues and for your continued support.

Sincerely,

Jay A. Perman

Jay A. Perman, MD
President