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Office of the Chancellor

November 10, 2017

The Honorable Elijah E. Cummings
United States House of Representatives
2163 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Cummings,

On behalf of the Board of Regents, Office of the Chancellor and the 12 institutions that comprise the University System of Maryland (USM) we are writing to express our concerns regarding several proposed tax changes in H.R. 1, the Tax Cuts and Jobs Act. The USM includes institutions with a variety of missions that would be individually and adversely impacted by the wide-ranging scope of proposed tax changes. This legislation comes at a time when lawmakers and the public are keenly focused on college costs and debt. The USM has worked to keep higher education affordable and student debt burden low. H.R. 1, in its totality, goes against those ideals by eliminating tax benefits that help students and families pay for college, increasing institutional costs, and diminishing our ability to raise revenue which, in turn, disrupts budgeting and planning for students and institutions alike. The following provisions of H.R. 1 are of most concern to the USM:

**Individual student and family benefits**

The proposed elimination of the Student Loan Interest Deduction and the Lifetime Learning Credit would increase college costs for millions of undergraduate and graduate students across the US. Separately, the modified American Opportunity Tax Credit proposed in H.R. 1 eliminates the ability of part-time students to claim an education tax credit while acquiring or improving job skills, the purpose of the Lifetime Learning Credit.

**Employee and graduate student benefits**

The bill would eliminate Section 127, a popular employer-provided benefit that allows an employee to exclude from income up to $5,250 per year in assistance for any type of educational course work at the undergraduate and graduate level. H.R. 1 also eliminates Section 117(d), which gives colleges and universities an important tool for recruiting and retaining valued employees. The elimination of these popular and bipartisan provisions in the tax code would have an immediate and adverse consequence on students and employers.

Section 117(d), for instance, allows colleges and universities to lower the cost of tuition for their graduate students who are serving as teaching or research assistants without the tuition reductions counting as taxable income. According to recent Department of Education data, nearly 55 percent of all graduate students have adjusted gross incomes of $20,000 or less and nearly 87 percent had incomes of $50,000 or less. The proposed repeal of Section 117(d)(5) would lead to a completely unaffordable increase in taxable income and make the pursuit of a graduate degree much more challenging, if not impossible, for many of our students.

**Charitable giving benefits**

In an era of tight state budgets, USM institutions have relied on the generosity of donations both large and small. H.R. 1 doubles the standard deduction and eliminates the charitable deduction for a significant number of taxpayers. The House bill would destabilize charitable giving to all nonprofit organizations and Maryland's public universities would not be immune to the ramifications.

**Higher education financing benefits**

We are also concerned that the bill would eliminate Section 3602, which allows state and local governments to execute tax-exempt "advance refundings" of outstanding tax-exempt bonds. Tax-exempt advance refundings provide states and localities with an important tool for refinancing outstanding debt at lower interest rates and have generated many billions of dollars of interest savings over decades, lowering the cost of important infrastructure investments. Universities within USM have saved millions through tax exempt bond refinancing, lowering the cost of important building projects such as student housing, academic buildings, laboratory facilities, and more.

**State and local income tax benefits**

Another provision, which may have downstream impacts on public higher education, is the proposed elimination of the state and local income tax deduction (SALT). Maryland ranks #10 in the country for state and local tax collections. This could make a challenging situation worse in the state's effort to generate revenue to support public higher education.

The USM, Board of Regents, Chancellor and institution presidents are committed to active and constructive participation with our national association partners in coming weeks as the tax reform proposal continues to take shape. We hope that you'll help share our voice in the coming weeks with your colleagues and work with us to protect these important tax benefits for our students, our employees, and residents across the state of Maryland.

Sincerely,

Robert L. Caret
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Aminta H. Breaux
President, Bowie State University

Maria Thompson, Ph.D.
President, Coppin State University

Dr. Ronald Nowaczyk
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