

Graduate Education Under Tax Attack in the United States—Act Now!

In the United States, there has been a flurry of Congressional action in recent weeks that affects graduate education and graduate students (including international students). In combination, these bills are likely to have a significant impact on graduate education for public service. This article provides some background on two key bills, and then provides an action plan including talking points for those deans and directors at public affairs schools interested in getting involved. We want to stand up for **graduate education: it increases economic growth and productivity in the US economy and around the world**, but there is also the specific NASPAA point that **US tax policy should help students who want to do public service at the local, state, and national levels, not hurt them by exacerbating their debt burden.**

The Policy Issues Committee of NASPAA would especially like to call the attention of schools located in the House Districts of members of the Congressional Conference committee* who will be deciding the fate of the graduate education-related provisions of the tax bills. Please consider contacting your representative directly to ask them to drop the taxation of graduate tuition waivers from the final version of the Tax Bill. You can also work through the government affairs office of your university, or through your school's membership in the AAU. Please contact Don Kettl, chair of the NASPAA Policy Issues Committee (kettl@umd.edu) or Laurel McFarland at NASPAA (mcfarland@naspaa.org) if you have any questions or comments on this subject!

Tax Bill

A comprehensive tax bill passed the House on November 16 and a somewhat different version passed the Senate on December 2. It now proceeds this week to a “conference” committee of legislators from both chambers where the differences will have to be resolved. This means we have reached the decisive point for graduate education-related provisions.

The bill is a sweeping change to taxation in the United States. It lowers the corporate tax rate dramatically and makes significant changes to individual income taxation as well. But along the way, it makes some specific changes to the tax treatment of graduate education. In particular, the House version treats tuition waivers as taxable income to the student. These waivers, which are often part of a graduate student's package of financial assistance and campus-based work, enable them to pursue and complete a PhD. The effect of this provision of the tax bill would mean, even though a student might not see any of it, they would be taxed on the full sticker price of their tuition. Thus, a student with \$90,000 “worth” of tuition waiver and stipend annually would be taxed on that full amount, even though they might not have any cash to pay the tax. There is also an increase on taxing what employers provide for tuition. While these provisions are NOT present in the Senate version as passed, it could well return in the conference version, if the House version prevails.

Higher Education Act Reauthorization

Another bill, just introduced this week after many years of delay, would also have dramatic effects on graduate education in the United States: the Higher Education Act reauthorization, H.R. 4508, entitled “Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act: (The full text is at <https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=402157>).

This Reauthorization bill could have a significantly negative effect on individuals' ability to pay for graduate education and repay their student loans. Some provisions affect all levels of higher education, but three key changes to Federal Student Loans affect public affairs graduate education:

1. Ending the **public service loan forgiveness program** (for graduates with remaining student loan debt after 10 years of public service and income-based loan repayments. Those already in process would be grandfathered.)
2. Creating a new income-based loan repayment program with lifelong financial obligations for some repayers, and scrapping the existing programs that include forgiveness after 20 or 25 years.
3. Imposing borrowing limits on federally originated student loans.

While the Tax Bill is close to becoming law, the HEA is just beginning. We will keep NASPAA members informed on developments in both of these bills, but we encourage you to talk to your colleagues and students about these impending tax changes and prospective student loan repayment policy changes—and then act!

* The Republican House members of the conference committee are:

- Conference Chairman Rep. Kevin Brady of Texas
- Rep. Devin Nunes of California,
- Rep. Peter Roskam of Illinois,
- Rep. Diane Black of Tennessee,
- Rep. Kristi Noem of South Dakota
- Rep. Greg Walden of Oregon
- Rep. John Shimkus of Illinois
- Rep. Rob Bishop of Utah
- Rep. Don Young

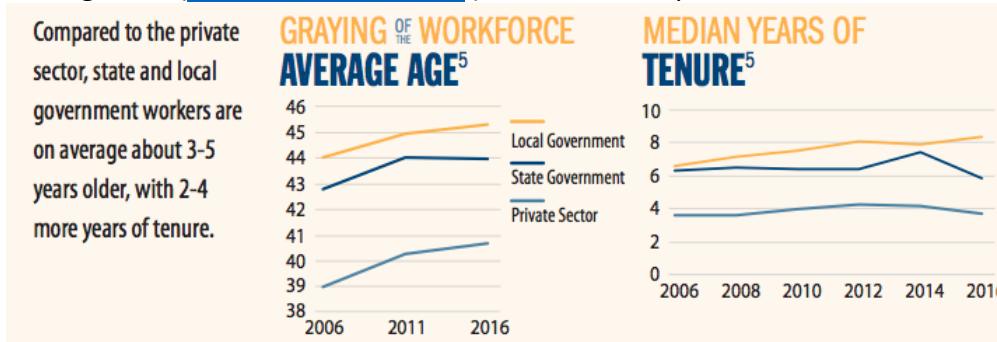
The Democratic House members are:

- Rep. Richard Neal of Massachusetts
- Rep. Sander Levin of Michigan
- Rep. Lloyd Doggett of Texas
- Rep. Kathy Castor of Florida
- Rep. Raúl Grijalva of Arizona

Talking Points for speaking with your Representative about the Tax Bill and Graduate Education for Public Affairs:

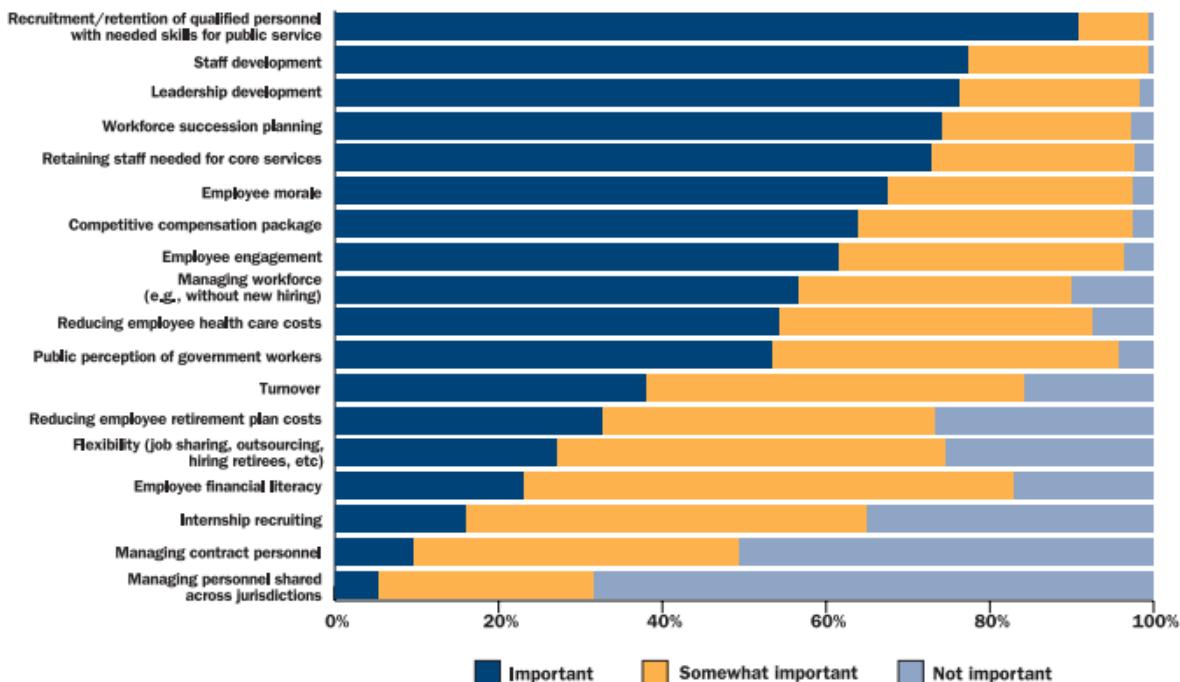
Don't tax tuition waivers. If you do, there will be fewer highly skilled professionals to serve local people in your district with all these vital public services.

1. The Conference Committee should drop the taxation of graduate tuition waivers from the final version of the Tax Bill: Don't hurt graduate students who want to serve **local & state** citizens through entering public service. NB: there's a huge number of state & local government employees in our state!
 - a. Data for each state are available at <https://goo.gl/VnnGQg>
2. These state and local government employees are providing valuable services on which all of our citizens depend: elementary and secondary schools, police protection, corrections, highways, health, fire protection.
3. State and local government employees are older than in the private sector—and Baby Boomers are retiring. Fast. (<https://goo.gl/etPXRI>) We need to replace them with the best trained people we can.



4. Recruiting the next generation of skilled leaders is the #1 worry of state and local government leaders. By far. (<https://goo.gl/3tYVgd>)

19) Looking ahead, which workforce issues are important to your organization? (n = 282)



5. Now is NOT the time to discourage today's students (and tomorrow's local & state leaders) from getting the high skills they need to serve our local citizens. Do not tax tuition waivers!