SOUTH CAROLINA
INDEPENDENT
COLLEGES & UNIVERSITIES
Opportunities for Excellence

November 21, 2017

The Honorable Lindsey O. Graham
United States Senate
290 Russell Senate Building
Washington, DC 20510

Re: Effects of Tax Reform Legislation on Higher Education
Sent via Fax: 202-224-3808

Dear Senator Graham:

This letter is a follow-up to my letter of November 7, 2017 which outlined the deleterious effects that the Tax Cuts and Jobs Act (H.R. 1) could have on South Carolina's independent colleges and universities, the students who attend our institutions, and their families. While we recognize the value in simplifying the tax code to spur economic growth, provisions in the bill would make pursuing our mission more difficult by undermining our financial stability and increasing the cost of education for our students.

More than 33,000 students are enrolled in South Carolina private non-profit colleges and universities. Seventy percent of the students are South Carolina residents, 45% of all students are minority, and more than 50% receive need-based federal Pell Grants for low-income students. They are served by 20 very diverse two and four-year institutions of higher learning that include among its membership seventeen faith-based Christian schools, including five historically black colleges and universities, and two women's colleges.

For the higher education community, the Senate Tax Bill approved by the Finance Committee on November 16 is less onerous to the welfare of students and their families than the Tax Reform Bill passed by the House of Representatives. However, there are several provisions in the Finance Committee Bill that we find troubling.

- Of primary concern is the possible adverse impact that **Increasing the Standard Deduction for Individuals and Families** may have on charitable donations. Under the House and Senate bills, it is estimated the charitable deduction would be out of reach to 95% of taxpayers. According to the Joint Committee on Taxation, this could reduce giving to charitable non-profits like our independent colleges and universities by $13 billion or more each year.

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To offset the possible decrease in charitable donations anticipated by increasing the standard deduction, we respectfully request that you support the Universal Charitable Giving Act introduced by Senator James Lankford (R-OK).

- **Universal Charitable Giving Act:** Sen. Lankford's bill establishes a universal charitable deduction for individuals and married couples who do not itemize beyond the standard deduction. This would be an above-the-line deduction up to one-third of the standard deduction – about $2,100 for individuals and $4,200 for married couples. The Universal Charitable Giving Act incentivizes charitable giving for low-income to middle-income taxpayers. This will encourage the continued growth in giving through charitable donations from a larger base of taxpayers, including lower-income and middle-income earners.

As the Senate Finance Committee Bill comes to the Senate floor next week, please consider voting against the following provisions:

- **New Excise Tax on Endowments:** Endowments are critical to sustaining quality and excellence in American private higher education. Investment income from endowments is used every day to support nearly all aspects of an institution's operations, including all the components vital to its mission and the delivery of a high quality, affordable education. Every dollar spent from the endowment to deliver an education reduces the cost paid by all students and their parents. While the current mark-up does not affect any SCICU member with this new tax, this sets a terrible precedent for taxing nonprofit funds, and it will likely be revisited by Congress, and affect many more institutions and charities over time. The federal government should not take funds for itself that private citizens gave to IRS-approved charities for issues and causes they chose to support.

- **Increased Taxes on Unrelated Business Income (UBIT):** Taxing income from licensing a non-profit college's name or logo as well as treating each business activity of a non-profit college separately for UBIT purposes will divert critical revenue away from mission-related programs and services.

Whether the Senate and House resolve the differences in the two versions of the Tax Reform Bill through reconciliation or conference, we ask that you oppose certain provisions of H.R. 1 that threaten the very basis of a tax code that encourages educational attainment and personal growth to the greater benefit of both individuals and the economy and society as a whole. The following provisions of the Tax Cuts and Jobs Act will have a significant adverse impact on the ability of students and families to access and afford a college education.

- **The Elimination of the Student Loan Interest Deduction:** Our students find the student loan interest deduction incredibly important as they are starting their careers and student loans payments. The federal government already makes a profit on student loans, this would be an additional tax on students who must borrow to pay for college.

- **The Elimination of Sec. 127 – Employer-Provided Education Assistance**: Sec. 127 provides much-needed assistance to working students by incentivizing employers to provide tuition assistance benefits. Most recipients of this benefit are non-traditional students trying to improve their skills and workplace mobility. Colleges, businesses, and labor organizations all support this important benefit that allows employers to invest in their workforce, while allowing employees the ability to advance their education and experience.

- **The Elimination of Private Activity Bonds:** Qualified 501(c)(3) private activity bonds provide favorable terms for private, nonprofit institutions, such as colleges, universities, and hospitals, resulting in considerable cost savings and enabling us to use those savings for our educational purposes. Our members employ bonds only after close scrutiny of risk and financial plans, and manage them prudently. If an institution holds such tax-exempt debt, it is required to meet significant post-issuance disclosure and compliance requirements. This type of bond financing for not-for-profits is a proven tool with a decades-long record of success for providing vital public services and creating jobs. Bond issuance for private nonprofit hospitals and universities is typically overseen by a unit of state or local government, or a municipal bond conduit authority, which is authorized by the state legislature to issue bonded debt. Low-cost access to capital helps keep private colleges and universities strong, enabling us to keep expenditures low so we can focus on the work we do for the public good and the students and families that we serve.

- **The Elimination of 117(d), Tax-Free Tuition Assistance**: Employees at independent colleges and universities, who are generally paid less than they could make in the private sector, work at our colleges because of the benefits and because of their love of our mission to serve students. Among the most important benefits we provide is assistance to help pay their own, and their children's college tuitions. Taxing this benefit makes college more expensive for them and makes it harder for us to attract workers. Eliminating this benefit would particularly harm employees who are poised to send their children to college and have premised their career choices and college savings decisions on the existing tuition benefits for their children, hurting the lowest-paid college employees the most.

If these concerns are not addressed in the final version of the bill that emerges from conference committee, we believe higher education will be irreparably harmed. We urge you to offer amendments to address the concerns that are still within the Senate version of the legislation. For those problematic provisions that are currently only included in the House's version, we would encourage you to stand against them during the conference committee process.

Thank you very much for your consideration of our request to preserve a tax framework that will continue to advance three important goals: 1) encourage saving for higher education; 2) help students and families pay for college; and 3) assist with the repayment of student loans. This framework serves the needs of low- and middle-income students and families as they invest in themselves and in higher education.

The presidents of SCICU's member colleges and universities and I are available to discuss these concerns with you or your staff. Please reach out to me should you have any questions.

Yours truly,

Mike LeFever

Mike LeFever
President & CEO

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November 21, 2017

The Honorable Tim Scott
United States Senate
520 Hart Senate Building
Washington, DC 20510

Re: Effects of Tax Reform Legislation on Higher Education
Sent via Fax: 202-228-5143

Dear Senator Scott:

This letter is a follow-up to my letter of November 7, 2017 which outlined the deleterious effects that the Tax Cuts and Jobs Act (H.R. 1) could have on South Carolina's independent colleges and universities, the students who attend our institutions, and their families. While we recognize the value in simplifying the tax code to spur economic growth, provisions in the bill would make pursuing our mission more difficult by undermining our financial stability and increasing the cost of education for our students.

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