SOUTH CAROLINA
INDEPENDENT
COLLEGES & UNIVERSITIES
Opportunities for Excellence

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The Honorable Lindsey Graham
U. S. Senate
Washington, DC 20510

The Honorable Mark Sanford
U. S. House of Representatives
Washington, DC 20515

The Honorable Jeff Duncan
U. S. House of Representatives
Washington, DC 20515

The Honorable Ralph Norman
U. S. House of Representatives
Washington, DC 20515

The Honorable Tom Rice
U. S. House of Representatives
Washington, DC 20515

The Honorable Tim Scott
U. S. Senate
Washington, DC 20510

The Honorable Joe Wilson
U. S. House of Representatives
Washington, DC 20515

The Honorable Trey Gowdy
U. S. House of Representatives
Washington, DC 20515

The Honorable James E. Clyburn
U. S. House of Representatives
Washington, DC 20515

Dear Gentlemen of the South Carolina Congressional Delegation:

I am contacting you today on behalf of South Carolina's twenty private non-profit colleges and universities to share with you our mutual concerns for the deleterious effects that the Tax Cuts and Jobs Act (H.R. 1) could have on the students who attend our institutions, their families, and the overall viability of many of our state's independent colleges and universities. On behalf of our members and the more than 33,000 students who attend them, we ask that you speak with the House and Senate conferees on this bill on the following issues important to South Carolina's independent colleges and universities and independent colleges across the country.

Eliminating Student Benefits

The House version of H.R. 1 eliminates important benefits like Sec. 127 employer-provided education assistance, the Student Loan Interest Deduction, Sec. 117(d) tuition remission benefits, and the Lifetime Learning Credit. These benefits assist students in paying for college and repaying loans and help institutions like ours to remain healthy and competitive.

The elimination of the student loan interest deduction would affect our most recent graduates just when they are trying to get on their feet. The federal government already makes a profit on the loans they provide to both students and parents, there is no need to further increase the federal profit margin.

Similarly, the elimination of Sec. 117(d) affects the faculty and their children who use the benefit, as well as the graduate student community. Our employees, who are generally paid less than they could make in the private sector, work at our college because of the benefits and because of their love of our mission to serve students. Taxing this benefit, makes college more expensive for them and makes it harder for us to attract workers. Eliminating this benefit would hurt the lowest-paid college employees the most.

The Senate version of the tax reform bill would not eliminate any of these benefits. We urge the conferees to reject the House's plan to eliminate these benefits and support the Senate version which would retain them.

Taxing Private Non-Profit Endowments

Adding a new tax on private college and university endowments is a federal tax on private nonprofit giving directed at one sector of higher education. Endowments exist to keep institutions viable in the long term. This is particularly important to private colleges that do not have the full faith and credit of the state to sustain them, as public colleges do. Donations from private citizens, most often alumni, are used to assist students, hire faculty, conduct research, and construct facilities according to IRS regulations. While no South Carolina private college endowment is currently affected by this new tax, which could certainly change over time as Congress continues to look to the private sector for revenue.

The House bill proposes an endowment tax using a formula that would impact 68 private colleges and universities. The Senate bill proposes a tax using a formula that would affect 33 private colleges and universities. While the Senate bill would do less direct harm, no matter how many or how few private colleges are hurt with this tax, it should be eliminated altogether in the final conference report.

Eliminating Private Activity Bonds

The elimination of Private Activity Bonds will harm our ability to support our mission and maintain continued financial health. These bonds are a critical resource that help maintain and improve existing academic buildings, residence halls, and more, and fund new campus construction. Again, public college bonding is preserved (as it should be), favoring one sector of higher education over another. The House version of H.R. 1 will mean a substantial loss of critical revenue savings to our institutions and will add to the cost of college. The Senate bill preserves Private Activity Bonds.

The House should reject the elimination of Private Activity Bonds and accept the Senate version which would retain them.

In addition, both the House and Senate bills would eliminate the advanced refunding of bonds. Being able to issue a tax-exempt refund gives issuers the greatest flexibility in taking advantage of lower interest rates and other market conditions, generating savings for the issuer, which are passed on to colleges and universities and, ultimately, our students and families.

The elimination of advanced refunding of bonds should be rejected in the final conference report.

Suppressing Charitable Giving

There are other elements of H.R. 1 that the House and Senate are in complete agreement that could threaten donations to private colleges and universities and other non-profit organizations. For example, both chambers double the standard deduction. This action will put separate deductions for charitable giving out of reach to 95% of taxpayers and by some estimates could reduce donations to eleemosynary organizations by as much as $13 billion.

Congress must correct the adverse unintended consequent on giving caused by increasing the standard deduction by extending a charitable giving incentive to all taxpayers. SCICU encourages Members of Congress to pass the Universal Charitable Giving Act (H.R.3988/S.2123) which would allow non-itemizers to deduct up to $4,000/individual and $8,000/couple each year.

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 many faith-based schools, historically black colleges and universities, and all women's colleges.

The passage of H.R. 1 without the amendments recommended above will mean a substantial loss of critical revenue to the state's private non-profit colleges and universities and will add to the cost of college for many students and their families. As major employers educating a broad constituency in every Congressional district in this state, we urge you to encourage the Conferees to reject those provisions in H.R. 1 that will harm private, nonprofit colleges and the students we serve.

Yours truly,

Mike LeFever

Mike LeFever
President & CEO