MINNESOTA
PRIVATE
COLLEGE
COUNCIL

November 6, 2017

Representative Betty McCollum
2256 Rayburn House Office Building
Washington, DC 20515

Dear Representative McCollum:

We write on behalf of all 17 colleges and universities that are members of the Minnesota Private College Council to share our deep concerns with the higher education-related provisions of the tax bill proposed by the House Ways and Means Committee late last week.

As we understand the current proposal, the House tax bill will result in a federal government disinvestment in higher education totaling more than $111 billion, which will increase the cost of college for students, families, and higher education institutions. We urge you to amend the proposal to eliminate the harm it will do to Minnesota's higher education institutions and the students and families we serve.

The proposed tax bill calls for the elimination of tax deductions that are critical for students and families:

- **The Student Loan Interest Deduction.** Elimination of the deduction for student loan interest will add to the burden that students face in paying their student loans. The federal government already makes a profit on loans to students and parents; it should not be increasing this profit by making loans more costly to students.

- **Tax benefits under the Employer-Provided Education Assistance Act ("Sec. 127").** 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 because it incentivizes employers to invest in their workforce, while giving employees the ability improve their workforce skills by advancing their education.

Reducing these tax benefits, eliminating the Lifetime Learning Credit, and consolidating the Hope Credit into the American Opportunity Tax Credit (AOTC), together amount to a reduction of $65 billion per year in federal government support that will no longer be available to help students and families pay for the cost of college.

In addition, the tax bill contains three provisions that disproportionately affect private, nonprofit higher education institutions. These provisions will drive up the cost of delivering higher education to our students by eliminating another $46 billion or more in federal support:

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- **Elimination of the federal tax exemption for private activity bonds.** This financing mechanism is used by the Minnesota Higher Education Facilities Authority (MnHEFA) to enable our institutions to participate in tax-exempt bond financing. For more than four decades, this provision has allowed nonprofit, private colleges to obtain lower-cost financing for campus infrastructure projects, including academic buildings, residence halls, and other facilities. Colleges, not governments, back these bonds, but the tax exemption helps lower our borrowing costs. The six most recent MnHEFA project financings resulted in a total savings to those six institutions of more than $17 million over the life of the debt when compared to the projected cost of financing with taxable debt. Because our colleges do not receive appropriations from the State to fund capital projects like our public institution counterparts, tax-exempt financing is critical to our colleges' ability to keep tuition costs down while meeting student facility needs, maintaining infrastructure, and remaining fiscally healthy.

- **Elimination of Section 117 employer-provided tuition benefits.** This provision allows our colleges to provide tax-free tuition remission for our employees, helping us manage our wage costs while attracting highly qualified employees. Our employees, who are generally paid less than they could make in the private sector, work at our colleges because of their dedication to our mission to serve students. Taxing this benefit makes college more expensive for their families and makes it harder for us to attract qualified employees at an affordable cost. Eliminating this benefit will especially harm our lowest-paid college employees for whom this benefit has provided critical access to higher education for their children. Its elimination would force increased spending on other employee benefits to remain competitive in the hiring marketplace, thus driving up the costs of college for the students we serve. This provision would also significantly increase the cost of graduate education for those students who receive tuition remission as part of a graduate teaching or research stipend.

- A new **excise tax on endowment income** for schools that have endowments greater than $250,000 per full-time equivalent student. Adding a new tax on private college and university endowments is ultimately a federal tax on private nonprofit giving. Endowments exist to keep institutions viable in the long term. Donations from private citizens, most often alumni, are used to provide financial aid to students, hire faculty, conduct research, and carry out our educational missions. The protection of our endowments is particularly important to private colleges given we do not receive taxpayer support in the form of direct state appropriations for operating costs as public institutions do. Moreover, it is particularly troubling that this tax will be imposed on private, nonprofit institutions but not on public institutions with large endowments. This type of public policy further tips an already unfair marketplace against private institutions which provide higher education at a cost to taxpayers that is far lower than public institutions.

We understand that a primary purpose of this tax bill is to reduce the tax burden on corporations and businesses in order to make our country more competitive. We share the goal of a globally competitive economy. Each day we do our part by providing high-quality education to the students we serve.

To be economically competitive, however, America needs not only a competitive business tax structure, but it also needs to have the world's most highly educated workforce. *This tax bill's disinvestment of $111 billion in federal higher education support to families, students, and institutions will make America less economically competitive.*

We believe it is possible to shape a tax bill that creates a more competitive tax structure without damaging the federal government's support for students and higher education institutions. For that reason, we ask you to oppose this tax bill in its present form and work to shape a tax bill that protects the investments the federal government makes in students, families, and higher education institutions through the federal tax code.

As always, we write with the needs and best interests of our students at the forefront of our concern, along with the state of Minnesota's best interests. Thank you for your careful consideration of our views on this critical legislation.

Regards,

Mary Hinton

Mary Hinton
Chair, Minnesota Private College Council
President, College of Saint Benedict

Paul Cerkvenik

Paul Cerkvenik
President
Minnesota Private College Council