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November 27, 2017

The Honorable John Kennedy  
United States Senate  
383 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Kennedy,

I write today concerning the Senate version of H.R. 1, the Tax Cuts and Jobs Act. I am thankful that the Senate Finance Committee chose to retain the student benefits the House tax bill eliminates. I also commend the Committee's work to include new proposals into the bill that allow for increased contributions to Achieving a Better Life Experience (ABLE) accounts, the designation of an unborn child as a beneficiary of a qualified tuition program and the transfer of funds from qualified tuition programs to an ABLE account without penalty. However, several provisions remain in the Senate bill that would negatively impact Louisiana's public postsecondary institutions and students by increasing costs on colleges and universities, reducing access to tax-exempt bonds, and threatening state investment in public higher education.

Changes to the tax code within the Senate bill make obtaining a postsecondary education more expensive and further threaten the financial stability of our institutions at a time when Louisiana's public postsecondary system is among the lowest funded in the nation. These changes will undoubtedly reduce access to a quality higher education for our citizens. Studies consistently show a positive correlation between educational attainment and wages and increased economic impact for local and state government. Simply put, individuals with higher levels of education are more successful in the labor market, rely less on state and federal assistance programs, are more active participants in democracy with higher voting rates, are less likely to be involved in criminal activities and are more prone to contribute to charitable causes. As the economy becomes ever more knowledge-based, we should be promoting the acquisition of knowledge rather than reducing access to a higher education.

I am concerned that the provisions below within the Senate bill will negatively affect public postsecondary education in our State:

- Increase in the standard deduction and loss of charitable deduction;
- Repeal of the deduction for personal exemptions, including college-age dependents;
- Repeal of state and local tax (SALT) deduction;
- Repeal of advance refunding bonds; and
- Changes to the treatment of tax-exempt organizations.

The information below contains information summarized from the American Council on Education, the Joint Committee on Taxation and the Senate Finance Committee Chairman's Modified Mark of the Tax Cuts and Jobs Act, H.R. 1.

## **Title I—Tax Reform for Individuals**

### **Increase in the standard deduction**

Doubling the standard deduction for individuals and couples while retaining a modest charitable giving incentive will reduce the number of taxpayers who itemize, significantly reducing the value of the charitable deduction and could lead to a drop in donations to colleges and universities. According to the Joint Committee on Taxation, 41 million donors would give approximately \$241.1 billion to nonprofits in 2018 under current law, as opposed to 9 million donors and roughly \$146.3 billion under the House bill. That represents a 40% drop in the use of the charitable deduction under the legislation.

### **Repeal of the deduction for personal exemptions**

The Senate bill eliminates the ability of taxpayers to claim a deduction for college-age dependents. Under current law, taxpayers may claim a deduction from income for each dependent. In 2017, that deduction is \$4,050. Dependents are typically the taxpayer's children who are 18 years old or younger. A taxpayer's dependent children age 19 to 23 who are full-time college students also qualify for this deduction. The Senate bill repeals the deduction for personal exemptions.

## **Subtitle D—Simplification and Reform of Deductions**

### **Repeal of deduction for certain taxes not paid or accrual in a trade of business**

The Senate bill repeals the state and local tax (SALT) deduction. This repeal will result in a negative impact on state budgets around the nation. The deduction of state and local taxes has contributed to the stability of state and local tax revenues that are essential for providing public services. Repealing the benefit could make it more difficult for state and local governments to raise sufficient revenues in the coming years to fund higher education. In Louisiana, the State's investment in higher education has been reduced at a rate more than any other state in the nation. Repealing the SALT deduction will worsen this problem.

## **Title III—Business Tax Reform Subtitle G—Banks and Financial Instruments**

### **Repeal of advance refunding bonds**

Both the House and Senate bills would eliminate advance refunding bonds, an important financing tool to refinance outstanding debt at lower interest rates. University-affiliated foundations and facilities corporations often undertake capital projects and renovations on dorms, classrooms, and research facilities. These activities are a more effective and efficient alternative to the state capital outlay process. The provision within the Senate bill that repeals

the exclusion from gross income for interest on a bond issued to advance refund another bond will have a negative impact on institutional budgets.

### **Changes to the treatment of tax-exempt organizations**

The bill contains several proposals that would increase Taxes on Unrelated Business Income (UBIT) owed by many colleges and universities. Ordinarily, colleges and universities do not pay federal taxes on their income. However, under the Senate's tax bill, royalties generated based on a college or university's name and logo will be taxed. In addition, the provision also requires all losses and gains to be calculated by activity rather than in the aggregate, an approach not found in corporate taxation. Unrelated business income can include revenue received by institutions from leasing space, advertising, copyright licenses, and rental of laboratories. This provision adds undue pressure on college and university budgets, particularly as Louisiana's public postsecondary institutions are constantly pressured to operate more like a business.

The repeal of the deduction for amounts paid in exchange for college athletic seating is also of concern. The provision repeals section 170(l) of the Internal Revenue Code, which generally provides that a taxpayer may deduct 80% of certain payments to institutions of higher education in exchange for which the taxpayer receives the right to purchase tickets or seating at an athletic event of such an institution. These payments are often for "athletic seat licenses" and the proceeds received for said licenses are often used for operational costs, scholarships and debt obligations.

In conclusion, I believe that a robust higher education system in Louisiana will lead to more economic opportunities for our citizens. I urge you to search for other ways to offer tax relief that does not reduce access to a quality education in Louisiana. Thank you for your efforts, and please contact me if I can be of assistance.

Sincerely,



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