VANDERBILT UNIVERSITY

Office of the Chancellor

November 13, 2017

The Honorable Jim Cooper
United States House of Representatives
1536 Longworth House Office Building
Washington, DC 20515

Dear Representative Cooper:

Vanderbilt University fully supports efforts to provide relief to the middle class through simplifying our complicated tax code and stimulating our economy, but we have serious concerns with H.R. 1, the Tax Cuts and Jobs Act. The bill, as currently drafted, would have significant and profound impacts on our students, families, and workforce and would threaten our ability to carry out our charitable mission. It also would increase the cost of higher education for students and families and threaten Opportunity Vanderbilt, our undergraduate financial aid program that meets 100 percent of a student's financial need with a package that does not include loans.

Of primary concern is the proposed 1.4 percent excise tax on certain university endowments, which we believe to be a misguided provision and an unprecedented government intrusion and taxation of tax-exempt universities that would result in fewer resources for student financial aid. Under the proposal, Vanderbilt's endowment would lose an estimated $7 million a year—the equivalent of providing a cost-of-attendance scholarship for 104 students. We believe this is fundamentally bad public policy.

In addition, we are seriously concerned about other provisions of the bill that would make it more expensive for students to pursue post-secondary education, particularly graduate students. We should be finding means to better support these future educators, scientists, engineers, and innovators, not making it increasingly difficult for them to pursue advanced degrees. We are also deeply troubled by the elimination of the provision that allows universities to provide tax-free tuition remission for dependents of our employees. Eliminating this benefit would be the most direct and immediately damaging provision to our employees who are poised to send their children to college and have premised their career choices and college saving decisions on this existing tuition benefit.

As an independent, non-profit university, Vanderbilt is committed to educating academically talented students regardless of their ability to pay, developing cures and technologies that improve lives, and being of service to our community. We achieve this mission in part through a long-standing partnership with the federal government, which includes provisions of the tax code that support our students, employees, donors, and operations. The tax reform package proposed by the House would jeopardize and fundamentally alter this partnership. We strongly urge policymakers rethink this approach to tax reform.

Sincerely,

Nicholas S. Zeppos

Nicholas S. Zeppos
Chancellor

211 Kirkland Hall
Nashville, Tennessee 37240

tel 615.322.1813
fax 615.322.6060

www.vanderbilt.edu/chancellor

Provisions that Impact our Tax-Exempt Purpose

- **The proposed 1.4 percent excise tax on certain university endowments (Sec. 5103) is a misguided provision that would, for the first time ever, tax donor funds, make college less affordable, and reduce support for academic programs and research.** It would result in fewer resources for student financial aid, increasing the cost of higher education for students and families. It would also mean fewer resources for academic programs, research, and all the other purposes that the endowment supports—all of which are core to our educational mission.

- **Through our endowment proceeds, Vanderbilt remains one of a select few institutions with a need-blind admissions process and meets 100 percent of undergraduate students' demonstrated financial need without loans through Opportunity Vanderbilt.** We do this because we believe a Vanderbilt education should be accessible and affordable to academically talented students regardless of their financial situation. Our endowment, which consists of approximately 2,500 individually endowed funds, has been one of the primary ways we have funded this substantial financial aid commitment. Since 2009, donors have provided more than $275 million for undergraduate scholarship endowment. We spend approximately $270 million on student financial aid each year, of which the endowment funded one-third.

- **Doubling the standard deduction effectively eliminates the charitable deduction for a significant number of taxpayers, undercutting charitable giving to nonprofit organizations such as Vanderbilt, which rely on the generosity of our donors to support a variety of education and research purpose.** Not only do charitable contributions support student aid directly, those dollars help enable us to minimize tuition increases. We are deeply concerned that this culture of giving could be threatened by H.R. 1 and urge Congress to consider new ways to encourage charitable giving.

Provisions that Impact Students, Employees and Families

- **As a higher education institution, Vanderbilt is committed to ensuring our employees and their families can further their education.** We support the dependents of our employees through Sec. 117(d), which allows universities to provide tax-free tuition remission for dependents of employees. This long-standing provision helps our employees and members of their families afford a college education, providing an important benefit to many middle-income families. Eliminating this benefit, as proposed in H.R. 1 (Sec. 1204), 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. This is one of the most popular benefits at Vanderbilt and would be the most directly and immediately damaging provision to our employees.

- **The House bill further erodes support for graduate students and undermines our nation's ability to cultivate and educate an innovative workforce.** Sec. 117(d)(5) significantly lowers the cost of graduate education by enabling universities to provide many Ph.D. and master's graduate students with a nontaxable tuition waiver while serving as teaching or research assistants, a key component of their academic training. H.R. 1 eliminates this provision (Sec. 1204). While our current understanding is that this would not impact Vanderbilt graduate students because of the way we structure our aid packages for graduate students, there is a great deal of uncertainly around this section. We would be strongly opposed to any effort that would result in tuition scholarships being treated as taxable income to our students. It is only through such non-taxable tuition scholarships that our students are able to pursue their graduate degree. We fear this could affect our ability to attract and educate the next generation of innovators and entrepreneurs and could threaten our country's long-term economic viability, security, and global competitiveness. We should be finding means to better support these future leaders, not making it increasingly difficult for them to pursue advanced degrees.

- **H.R. 1 eliminates a number of tax provisions that will make it more expensive for students to continue their education ad repay their loans.** The tax code plays an important role in helping students and families save for higher education, pay for college, and assist in the repayment of student loans. We encourage Congress to protect this system for all students. We agree that the multitude of tax deductions and credits related to higher education is confusing for students and families and we support efforts to consolidate and simplify these tax incentives in a way that benefits all students at every stage of their education. The revised American Opportunity Tax Credit (Sec. 1201), which eliminates the Lifetime Learning Credit, effectively removes existing tax benefits for graduate students. The AOTC would only be available for 5 years (and the 5th year at half the value), thereby denying students whose academic careers last more than five years any tax benefit. We urge policymakers rethink this shortsighted approach to tax reform and retain eligibility for the AOTC beyond five years.

Provisions that Impact how the University Operates

- **We oppose any changes in how tax-exempt organizations calculate unrelated business income tax (UBIT) that would result in additional resources being diverted away from our education and research mission.**

- **H.R. 1 wrongly eliminates access to the municipal bond market for private universities and hospitals (Sec. 3601).** When the interest rate on municipal bonds is significantly lower than on taxable bonds, the availability of Private Activity Bonds is an attractive option for financing the cost of multi-million dollar construction projects. These tax-favored bonds are used to build facilities such as dormitories, energy plants, garages, student centers, and athletic facilities; the lower financing cost helps keep expenses down. Likewise, the bill eliminates advanced refunding (Sec. 3602) which affords institutions like Vanderbilt the ability to reduce debt.