UNCF
A mind is a terrible thing to waste®

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December 8, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
1139E Longworth House Office Building
Washington, D.C. 20515

Dear Chairmen Hatch and Brady and Ranking Members Wyden and Neal:

On behalf of the UNCF (United Negro College Fund), I write to express our views on H.R. 1, Tax Cuts and Jobs Act. UNCF has raised over $4.6 billion to support college success for minority students, including those enrolled at our 37 member Historically Black Colleges and Universities (HBCUs). UNCF's member institutions are part of a larger network of 101 HBCUs that serves approximately 300,000 primarily first-generation, low-income and minority students annually in 21 states and territories – who rely heavily on federal grants, loans and tax benefits to pursue postsecondary education.

There is perhaps no investment that the country could make with a greater return than an investment in higher education, particularly for the minority students and HBCUs that UNCF serves. Indeed, UNCF recently documented that a single class of HBCU graduates delivers a lifetime return of $130 billion. As conference deliberations begin on H.R. 1, UNCF recommends that conferees take this unique opportunity to improve and expand higher education tax benefits for low- and moderate-income families, recognizing that higher education is an investment in human capital that has important societal benefits.

In particular, we strongly urge that the student loan interest deduction of up to $2,500 be preserved as recommended in the Senate version of H.R. 1. Elimination of this benefit would drive up the cost of student loans for borrowers by approximately $13 billion over the next ten years. This issue is critically important for African American students who are burdened by student loan debt and struggle to repay it. Eighty percent of HBCU students use federal education loans to finance college versus fifty-five percent of students at other institutions, and HBCU graduates must borrow nearly twice as much, on average, as their non-HBCU peers. Further, because of disparities in income and assets, African Americans are more likely to fall within the income threshold that enables them to take the full $2,500 deduction for student loan interest. Preservation of this tax deduction is an important priority for the students we serve.

UNCF supports simplifying, targeting, and expanding higher education tax credits to enhance their benefit to low- and middle-income students and families. The House version of H.R. 1 consolidates the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit into a single tax credit, addressing concerns that millions of families forego these overlapping tax credits due to their complexity. However, the new AOTC in the House bill provides less generous benefits than its predecessor tax credits, generating more than $17 billion over ten years that should be re-invested into helping students and families offset the costs of higher education with tax savings. UNCF recommends needed AOTC reforms that include increasing and frontloading refundability, improving coordination with Pell Grants by exempting Pell Grants from taxable income, and replacing the five-year limit with a lifetime cap on the total amount claimed.

UNCF is deeply concerned about provisions in the House version of H.R. 1 that would tax tuition waivers and discounts for graduate students and college employees, their spouses and dependents. We believe that these provisions are penny-wise and pound-foolish. HBCUs are major producers of African Americans who go on to pursue advanced graduate degrees; ten of the top eleven colleges and universities graduating African American students who go on to earn doctoral degrees in science and engineering are HBCUs. Tax benefits that support advanced education help to fuel innovations and the economy, and should be preserved as recommended in the Senate version of H.R. 1.

UNCF joins the larger higher education community in expressing our concerns about several other provisions in the Senate or House versions of H.R. 1 that would negatively impact postsecondary education, including provisions that could lower charitable contributions to colleges and universities; eliminate the deduction for state and local taxes, potentially causing unaffordable tuition increases at public colleges and universities; terminate tax-exempt bond financing – an important tool for financing capital improvements on college campuses; and impose a new excise tax on large college endowments – redirecting funds used for student financial aid, research, and student retention programs to the government. We urge your reconsideration of these proposals.

Finally, of utmost importance to the nation's network of HBCUs, is the potentially devastating budgetary impact of H.R. 1, which could trigger automatic sequestration cuts to direct spending programs under the Statutory Pay-As-You-Go (SPAYGO) Act of up to $136 billion in fiscal year 2018 and $150 billion in each of the following nine years. Impacting education, the sequester would result in a doubling of student loan origination fees and the complete elimination of $510 million in fiscal year 2018 and 2019 mandatory funding to HBCUs and other minority-serving institutions under section 371 of the Higher Education Act (HEA). The nation's 101 HBCUs, alone, would be cut by $170 million. The elimination of these essential mandatory HBCU funds – which support high-demand STEM programs – would deliver a catastrophic blow to these historically under-resourced institutions. It is imperative that the Congress promptly enact legislation to waive SPAYGO or exempt HBCU mandatory funding from SPAYGO.

Again, we urge you to make strong investments in higher education tax benefits for low- and moderate- income families a high priority in the Tax Cuts and Jobs Act, and to protect HBCUs from harmful mandatory budget cuts. Thank you for your consideration.

Sincerely,

Michael L. Lomax, Ph.D.
President and CEO

Cc: Members of the Senate Committee on Finance and House Committee on Ways and Means