

The Feds, The Future, What is Next in DC?



Midwestern Higher Education Compact Annual Meeting

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American Association of State Colleges and Universities

About AASCU

- **Association of 400 public college and university presidents**
- **Represent regional public colleges and universities**
- **One of the big six higher ed associations**
- **Tracks and advocates on state and federal policy matters**
- **Interests=affordability, excellence in undergraduate education, teacher education, diversity, student success**

What is  oing on
in  ashington?

Key Issues

- **The Tax Cuts and Jobs Act (The “Tax Bill”)**
- **The Federal Budget and Appropriations**
- **Higher Education Act Reauthorization**
- **Title IX Guidance**
- **Immigration**
- **Regulatory Changes**
- **Other issues**

Observations

- **The tax reform bills have major implications for students, institutions and states**
- **Federal budget authorization expires on Dec. 8. Shutdown?**
- **Direction of immigration policy is uncertain. Possible link to budget deal?**
- **Wheels are starting to move on HEA Reauthorization, but timetable & proposals unclear**
- **Dept. of Education has altered Title IX guidance**
- **Dept. of Education wants changes to some Obama-era**

Tax Cuts and Jobs Act

- **Higher Ed:**
 - **Students and Families**
 - **Institutions**
 - **States**
- **Policy goal=simplify taxes, lower rates, broaden the tax base.**
- **Doubles standard deduction, consolidates/eliminates itemized deductions, lowers business/individual tax rates**
- **Not revenue neutral! \$1.5 trillion in red ink over 10 years**



U.S. House Speaker Paul Ryan, a Republican from Wisconsin, holds up a Simple, Fair "Postcard" Tax Filing (+)

Tax Cuts and Jobs Act-Students & Families

• Tax Credit Consolidation (House Bill)

- Current law=AOTC offers \$2,500 max. tax credit. Refundable up to \$1K
- Current law=LLC is tax credit for up to \$2,000 (20% of \$10k). Fewer stipulations.
- AOTC consolidated with Lifelong Learning Tax Credit (LLC)
- Keeps many of the benefits of AOTC and add a new benefit, but LLC eliminated
- \$17.3 billion in new revenue for the government over 10 years

• Deduction and Exclusions Eliminated (House Bill)

- Student Loan Interest Deduction (SLID) eliminated
- Employer-provided educational assistance tax break eliminated
- Qualified tuition reduction eliminated. Tax-free tuition reductions to graduate students eliminated---could impede research.
- \$47.5 billion in new revenue for the government over 10 years

Tax Cuts and Jobs Act-Institutions

- **Excise Tax on Private College Endowments (House & Senate)**
 - 1.4 percent tax on endowments over \$250k/student.
 - Private colleges only, need minimum 500 students
 - Would affect 60 to 70 colleges
 - Camel's nose under the tent?
- **Increase in the standard deduction/decreased likelihood of charitable giving (House & Senate bills are similar)**
 - Charitable deduction used by 30% who itemize. Reduce to 5%.
 - Could really provide a disincentive for donating to colleges
- **New taxes on income from logos and royalties, unrelated business income tax i (UBIT)**
- **New excise taxes on executive compensation over \$1M**
- **Interest on new private activity bonds for private colleges would be taxed.**

Campuses in MHEC States Affected by the Endowment Change

- Grinnell (IA) \$1.09 million
- Notre Dame (IN) \$675K
- Wash U in St. Louis (MO) \$530K
- U of Chicago (IL) \$503K
- Northwestern U (IL) \$436K
- Wabash College (IN) \$428K
- Carleton College (MN) \$396K
- Earlham School of Religion (IN) \$393K
- Denison University (OH) \$354K
- Macalester College (MN) \$350K
- College of the Ozarks (MO) \$298K
- Oberlin University (OH) \$297K
- DePauw University (IN) \$281K

Source: Chronicle of Higher Education, 2017

Tax Cuts and Jobs Act-States

• State and Local Tax (SALT) Deduction Elimination

- **House Bill: End federal deduction for state and local income and sales and limits the deduction of property taxes to taxes under \$10,000**
- **Senate Bill: Completely eliminated**
- **Big tax expenditure: \$1.3 trillion over 10 years**
- **SALT have been deductible for over 100 years**
- **Taxpayers who itemize deductions (30% of all taxpayers) can deduct SALT**
- **Mostly affects upper-middle class and wealthy, states with higher taxes and wealthier people**
- **Decreases cost of nonfederal taxes**
- **Encourages use of deductible taxes**
- **What would be the effect on state revenue?**

Source: Tax Policy Center, Brookings/Urban Institute

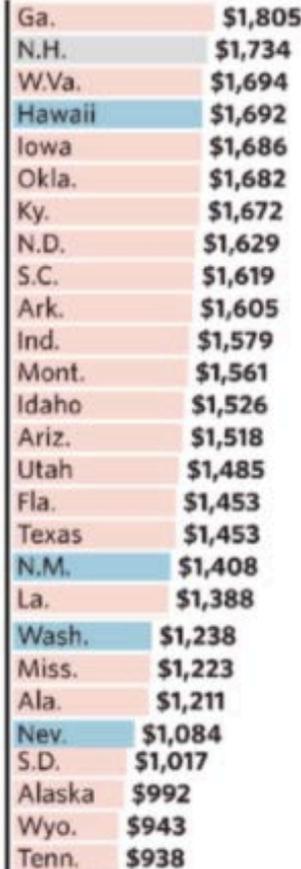
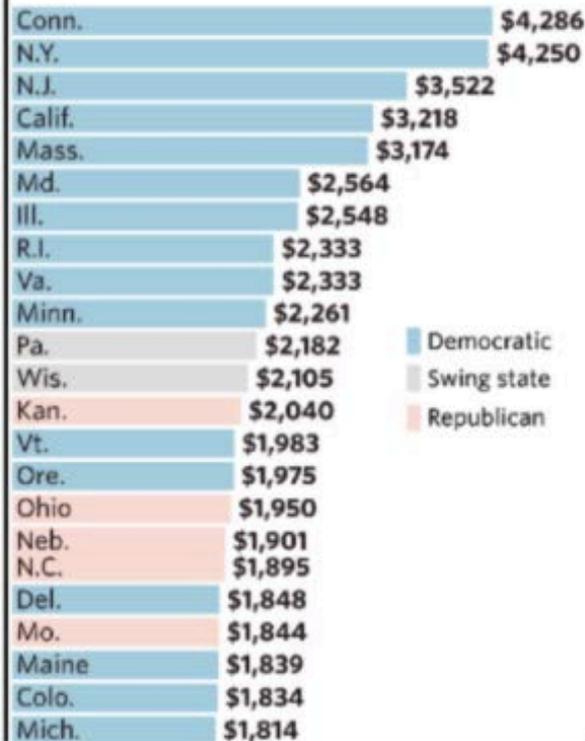
State	% with SALT Deductions	Average SALT Deduction*
MD	46%	\$ 12,931
CT	41%	\$ 19,664
NJ	41%	\$ 17,850
DC	40%	\$ 16,442
VA	37%	\$ 11,288
MA	37%	\$ 15,571
OR	36%	\$ 12,616
UT	35%	\$ 8,291
MN	35%	\$ 12,954
NY	35%	\$ 22,169
CA	34%	\$ 18,437
GA	33%	\$ 9,158
RI	33%	\$ 12,434
CO	32%	\$ 9,017
DE	32%	\$ 9,194
IL	31%	\$ 12,523
WI	31%	\$ 11,653
NH	31%	\$ 10,121
WA	30%	\$ 7,402
IA	29%	\$ 10,163
HI	29%	\$ 9,905
NC	29%	\$ 9,587
PA	29%	\$ 11,248
AZ	28%	\$ 7,403
MT	28%	\$ 9,357
ID	28%	\$ 8,862

State	% with SALT Deductions	Average SALT Deduction*
ME	28%	\$ 11,431
NE	28%	\$ 11,088
SC	27%	\$ 8,765
VT	27%	\$ 12,407
MI	27%	\$ 9,648
MO	26%	\$ 9,886
OH	26%	\$ 10,444
KY	26%	\$ 9,955
AL	26%	\$ 5,918
KS	25%	\$ 9,425
NV	25%	\$ 5,989
OK	24%	\$ 8,201
MS	23%	\$ 6,302
LA	23%	\$ 6,742
TX	23%	\$ 7,823
IN	23%	\$ 8,756
FL	22%	\$ 7,373
NM	22%	\$ 7,091
AR	22%	\$ 9,116
WY	22%	\$ 6,306
AK	21%	\$ 4,931
TN	19%	\$ 5,611
ND	18%	\$ 6,864
WV	17%	\$ 9,462
SD	17%	\$ 6,098

Source: Government
Finance Officers
Association, 2017

Winners and Losers

Estimated effect on taxpayers, by state, of repealing the state and local tax deduction, before taking into account proposed lower tax rates and repeal of the alternative minimum tax.



Sources: Tax Policy Center (tax burden); Cook Political Report (2008-2012 Partisan Voter Index)

THE WALL STREET JOURNAL

Source: Tax Policy Center,
2017

Immigration

- **DACA**

- Starts expiring on March 5
- Republican working group is building a proposal (may include expansion of e-verify, discourage chain migration, end diversity visa program)
- Democrats want the DREAM Act, no wall
- Government shutdown?

- **Travel Ban**

- Third attempt by Admin to institute ban.



Federal Budget and Appropriations

- **Continuing Resolution expires December 8th**
- **Debt ceiling also needs to be raised by the end of the year**
- **DACA & the wall could be sticking points**



Higher Education Act Reauthorization

- Main vehicle for higher education policy
- Key issues=institutional and student eligibility for Title IV financial aid, accreditation, data, etc.
- Long overdue, expired in 2013
- Not publicly a priority (yet) of Administration, House/Senate leadership
- Language being drafted in House, partisan bill expected
- Will be a marker for GOP



Title IX Guidance

- **The Trump Administration has rescinded Obama-era guidance on adjudicating campus sexual assault. Key changes:**
 - Preponderance of evidence (50.1%) vs. clear and convincing standard (“highly probable”)
 - No fixed time frame on investigations
 - Colleges can seek an “informal resolution”



Regulatory Changes

- **Borrower Defense**

- Discharge student loans if misled by institution or broke state law
- 90,000 claims at the department post-ITT, Corinthian collapses
- Opposed by the for-profit college industry
- Blocked by Sec. DeVos, wants to rewrite the rule

- **Gainful Employment**

- Sanctions programs for leaving students with high debts and no means to pay off the debt. Applies for for-profits and some certificates at nonprofit/publics
- Strongly opposed by for-profit college industry
- Repealing will cost taxpayers \$1.3 billion over 10 years
- Delayed by Sec. DeVos, wants to rewrite the rule

Resources

- **AASCU Federal Updates**
- **AASCU EdLines (weekly state updates-opt in)**
- **AASCU Daily Headlines (daily policy updates-opt-in)**
- **Subscription link:**
<http://www.aascu.org/policy/publications/subscriptionform/>
- **Twitter: @aascupolicy**

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