House Tax Reform Bill Brief Summary

Released on Thursday, Nov. 2, the House tax reform bill–the "Tax Cuts and Jobs Act"–contains a number of provisions that make changes that will negatively affect an array of provisions important to higher education, including:

- **Impact on Charitable Giving:** Doubles the standard deduction for individuals and couples, which will reduce the number of taxpayers who itemize, significantly reducing the value of the charitable deduction, and lead to a drop in donations to colleges and universities.

- **Deduction of College-Age Dependents:** Under current law, taxpayers may claim a deduction ($4,050 in 2017) from income for each dependent. 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 House bill eliminates all personal exemptions (in favor of higher standard deductions).

- **New Version of the American Opportunity Tax Credit (AOTC)**, with positives and negatives: **(Raises $17.3 billion over 10 years)**

    - **Positives:** Maintains AOTC eligible expenses and refundability, maintains current income thresholds (individual: $80,000-90,000/joint: $160,000-180,000), and expands credits to a fifth year but at a reduced amount of $1,250 with $500 refundability.

    - **Negatives:** Completely eliminates tax benefit for non-traditional students taking longer than five years to complete their degrees, part-time students, graduate students and lifetime learners.

- **Repealed (Repealed provisions raise $47.5 billion over 10 years):**

    - The Hope Scholarship Credit; the Lifetime Learning Credit and tuition deduction (no separate score)

    - The Student Loan Interest Deduction

    - The Section 117(d) tuition reduction assistance

    - Section 127 employer-provided educational assistance

- **Discharge of Certain Student Loan Indebtedness:**

    - Discharge of student loan debt on account of death or total disability would not be taxable. **(Costs $100 million over 10 years)**

- **1.4 Percent Excise Tax on Certain Private College/University Endowments:** A 1.4 percent excise tax on investment income for private college and university endowments with a value of at least $100,000 per each student and at least 500 full and part-time students. **(Raises $3 billion over 10 years)**

- **Repeal of Private Activity Bonds**: Elimination of the tax exemption for interest on new private activity bonds, which would essentially prevent private institutions from using tax-exempt bond financing. **(Raises $38.9 billion over 10 years)**

- **Executive Compensation**: For tax-exempt organizations (including colleges and universities), a 20 percent excise tax on compensation above $1 million paid to any of its five highest paid employees; would also apply to excess parachute payments paid to such individuals. **(Raises $3.6 billion over 10 years)**

- **Unrelated Business Income Tax (UBIT):** Income derived from research not made "publicly available" would be treated as unrelated trade or business income and subject to the UBIT rules. **(Raises $700 million over 10 years)**