

# Senate Finance Reconciliation Tax Package: Summary of Key Higher Ed Provisions

Released on June 15, 2025, the Senate Finance Committee reconciliation tax package includes several provisions that would modify the higher education-related elements of the House-passed version, particularly concerning increases to the endowment tax:

## Modification of the endowment tax on certain private colleges and universities (Sec. 70415)

The provision replaces the current 1.4 percent excise tax on net investment income (“endowment tax”) with a three-tiered system based on an institution’s student-adjusted endowment as follows:

- 1.4 percent for institutions with an endowment of \$500,000 to less than \$750,000 per student;
- 4 percent for institutions with an endowment of more than \$750,000 and less than \$2,000,000 per student; and
- 8 percent for institutions with an endowment of more than \$2,000,000 per student.

In addition to the new three tiers, the tax would be changed in other important ways:

1. The calculation of an institution's student-adjusted endowment excludes international and undocumented students (per Section 484(a)(5) of the Higher Education Act) as provided in the Protecting American Students Act (H.R. 8913)(118<sup>th</sup> Congress);
2. It includes an exception for religious institutions;
3. Applies only to institutions that participate in the Title IV federal financial aid system; and
4. The calculation of a school’s net investment income subject to the tax includes student loan interest income and any royalty income derived from federally subsidized research, development and/or intellectual property. **(Raises \$3.8 billion over 10 years).**

## Impact on Charitable Giving (Secs. 70102, 70424, 70425 & 70426)

The tax package will impact charitable giving with new provisions, including:

1. It makes permanent the standard deduction for individuals and couples enacted in the Tax Cuts and Jobs Act (2017), while also permanently increasing the standard deduction for individuals and couples (the increase in the standard deduction reduced the number of taxpayers who itemize, significantly reducing the value of the charitable deduction, and led to a drop in donations to colleges and universities);
2. In part to mitigate the decline in charitable giving since 2017, the proposal creates a permanent deduction for non-itemizing taxpayers up to \$1,000 for individuals and \$2,000 for couples;
3. Beginning in January 2026, it will impose a 0.5-percent floor on charitable contributions for taxpayers who itemize; and
4. Beginning in January 2026, it will impose a 1 percent floor on charitable contributions by corporations. **(Costs \$157.5 billion over 10 years).**

## Employer Provided Educational Assistance (Sec. 70412)

This provision makes two important changes to Sec. 127:

1. It indexes for inflation tax-free employer provided educational assistance which will result in an increase over time of the current \$5,250; and
2. It makes permanent student loan repayments by employers of up to \$5,250 tax- free per year. **(Costs \$11.2 billion over 10 years).**

## Extension of exclusion from gross income of student loans discharged on account of death or disability (Sec. 70119)

This provision permanently extends current law which provides that any income resulting from the discharge of student debt on account of death or total disability of the student is excluded from taxable income. **(Costs \$385 million over 10 years).**

## Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts (Sec. 70414)

This provision allows tax-exempt distributions from 529 college savings plans to be used for additional qualified higher education expenses, including “qualified postsecondary credentialing expenses” in connection with “recognized postsecondary credential programs” and “recognized postsecondary credentials.” **(Cost included in K-12 529 proposal; \$145 million over 10 years).**

## Higher Education Tax Credits – Social Security number requirement for American Opportunity Tax Credit (AOTC) and Lifetime Learning Tax Credits (LLC) (Sec. 70612)

This provision adds requirements for taxpayers to include their Social Security number on their tax return to access the AOTC or LLC. **(Raises \$366 million over 10 years).**

## Tax Exempt Compensation – Expanding tax on excess compensation within tax-exempt organizations (Sec. 70416)

The provision imposes an excise tax on executive compensation above \$1 million annually, paid to certain highly compensated employees by applicable tax-exempt organizations. **(Raises \$3.8 billion over 10 years).**