H.R. 1 Would Make Higher Education Less Affordable and Undermine the University of Illinois' Mission and Support
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Tax reform legislation approved by the House Ways and Means Committee, H.R. 1, would have a significant and negative impact on the University of Illinois System ("University"), our students and our employees. The legislation would make higher education less affordable, and hurt the University's ability to promote economic growth and opportunity. While there are many provisions in the legislation affecting higher education, below is a summary of the provisions that are of greatest concern:

H.R. 1 would make higher education less affordable by:

- Making graduate students and employees pay taxes on tuition reductions (Sec. 1204).
  - Universities often reduce or waive tuition for graduate teaching and research assistants. Under Section 117(d) of the tax code, those tuition waivers are not taxable. H.R. 1 would repeal Section 117(d), resulting in significantly higher tax bills for graduate students.
  - In 2016, the University provided $184 million in 117(d) tuition waivers for over 9500 teaching and research assistants. If this provision became law, those U of I graduate students would see their taxable income increase by over $19,000, on average.
  - A doctoral student at the University estimates that she would lose about 25 to 30 percent of her $17,000 stipend if H.R. 1 became law, which, in her words, "would push us to the poverty line."
  - H.R. 1 would also tax university employees and their children on undergraduate tuition waivers they receive.

- Making employees pay taxes on employer-provided educational assistance (Sec. 1204).
  - Under current law, codified in Section 127 of the tax code, employers can provide employees with up to $5,250 in tax-free educational assistance. H.R. 1 would repeal this provision, hurting the ability of employees to advance their careers and job prospects.
  - In 2016, the University provided $9.2 million worth of educational benefits to over 2100 employees under Section 127. In addition to increasing those employees' tax bills, repeal of Section 127 would increase the University's tax burden by an estimated $1.2 million in employment taxes.

- Eliminating the above-the-line tax deduction for student loan interest (Sec. 1204).
  - In 2014, 12 million taxpayers benefited from the student loan interest deduction.

- Repealing the Lifetime Learning Credit (LLC), which helps non-traditional, part-time and graduate students, particularly those with low or moderate incomes (Sec. 1201).
  - The LLC provides a tax credit for 20 percent of up to $10,000 of qualified education expenses for postsecondary education. While the bill expands the related American Opportunity Tax Credit (AOTC), graduate students are generally not eligible for the

AOTC. Furthermore, the expanded AOTC would end after five years, while many older or part-time students take longer to complete their degrees.
    - In 2015, the Tax Policy Center estimated that approximately 3.1 million students with an income at or below $75,000 utilized the LLC, including about 2 million with an income of $40,000 or less.

H.R. 1 would undermine the University's ability to promote economic growth and opportunity:

The University of Illinois System is a major contributor to the state's economy and workforce development. With 24,000 faculty and staff and over 80,000 students, the University contributes $14 billion to the Illinois economy annually. The University grants 20,000 degrees annually, and 70% of those graduates stay in Illinois.

Recent reductions in state support are already making it harder to attract top faculty and students and generate economic growth and opportunity. State funding for the University was cut by over $530 million from fiscal years 2016 through 2018, without even taking into account inflation. As a result, the University must depend even more on other sources of revenue, such as charitable giving. Unfortunately, H.R. 1 would create new obstacles to charitable giving by:

- Doubling the standard deduction without creating another charitable giving incentive, which would result in significantly fewer taxpayers itemizing their deductions, and thus a drop in charitable giving (Sec. 1002).
    - According to the bill's sponsors, the increase in the standard deduction would reduce the number of taxpayers who itemize their deductions from roughly one-third under current law to fewer than 10 percent.
    - The Joint Committee on Taxation projects that H.R. 1 would reduce the total amount of charitable deductions by 39% in 2018.

- Repealing the estate tax and generation-skipping transfer tax (Sec. 1601-1602).
    - Studies by the Congressional Budget Office and the Brookings Institution suggest that repeal of the estate tax would reduce charitable giving by 6 to 12 percent per year and reduce bequests by 16 to 28 percent.

- Making it harder for college athletic departments to raise money (Sec. 1306).
    - Donors support students and colleges by paying for the right to purchase tickets for athletic events. Under current law, donors can deduct 80% of this cost. H.R. 1 would end this deduction.
    - Urbana's Division of Intercollegiate Athletics (DIA), which has a local economic impact of $40-$50 million, receives approximately $16 million from payments for ticket rights. Close to half of that money ($7.5 million) goes toward the over 250 student scholarships that DIA pays for. Repealing the 80% deduction would have a significant impact on donors' willingness and ability to make these payments.

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