WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

November 10, 2017

The Honorable Paul Ryan
Speaker, House of Representatives
1233 Longworth House Office Building
Washington, DC 20515

Dear Speaker Ryan:

I am writing to express my concerns with a number of provisions in H.R. 1, the Tax Cut and Jobs Act. Several provisions in the bill would be harmful to students at the University of Wisconsin-Madison, and negatively affect our nation's research enterprise, which is directly tied to our ability to be a world-leader in scientific and technological innovation.

While I agree with the effort to reform and simplify our tax code, I believe the legislation in its current form would increase the cost of attendance for many students, while also hindering research universities' ability to educate and train our nation's most highly-skilled workforce. The graduate students who study at research universities are the future leaders of the ongoing innovation revolution that is occurring in science and technology.

Our primary concern in H.R. 1 is the repeal of Section 117(d). This provision allows colleges and universities to lower the cost of education for graduate students who serve as teaching or research assistants as part of their academic training, without the tuition reductions counting as taxable income. At UW-Madison, approximately 5,300 PhD students and 1,900 Master's degree students would lose this important tax benefit. In turn, their tax liability would skyrocket for "income" they never receive. The result would be that students – particularly from lower income families – might find it prohibitive to pursue graduate work. They would be caught in a position where they can't afford the tuition, but can't afford to pay the taxes if they receive tuition remissions either. We urge you to preserve the Section 117(d) qualified tuition reduction.

Additionally, there are a number of changes in H.R. 1 that would collectively make the cost of attending and paying for college more expensive. For example, eliminating the student loan interest deduction would impact the nearly half (47 percent) of our students who borrow to help pay for their education. The average borrower from UW-Madison graduates with about $28,255 in debt. Using a 6 percent interest rate, the average student with debt at UW-Madison would have a tax liability that is about $1,695 higher next year under H.R. 1. This is a particular

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problem for students in the years immediately after they leave school, when their salaries are still relatively low.

We are also concerned that H.R. 1 will result in a substantial decrease in charitable giving. H.R. 1 does retain tax incentives for charitable contributions, but significantly increasing the standard deduction will limit the number of taxpayers who are able to take advantage of the incentive to make charitable contributions. Particularly with the steady decline in state support, public universities are increasingly reliant on gifts from friends and alumni as a core part of their budget.

As you may know, the Joint Committee on Taxation determined that under H.R. 1, charitable giving would decrease dramatically. JCT projects for tax year 2018, under current law, almost 41 million taxpayers who itemize would give about $241 billion. However, if H.R. 1 were signed into law, approximately 9 million donors would give about $146 billion. This is a substantial difference. The drop is especially significant in the $100,000—$500,000 taxpayer range. This subset represents a significant number of individuals who donate to UW-Madison.

UW-Madison supports enactment of a universal, or above-the-line, charitable deduction that would allow all taxpayers to subtract their charitable gifts regardless of whether they take the standard deduction or itemize their tax returns.

Another provision in H.R. 1 eliminates the tax exemption for interest on new private activity bonds, which would essentially prevent institutions from using tax-exempt bond financing. UW Health, a public entity that partners with our medical school and provides health care for a large share of people in the Madison region, has relied on private activity bonds to make vital investments in health care infrastructure. These bonds allow non-profit organizations like UW Health to access low-cost capital for infrastructure projects central to its mission: advancing health through service, scholarship, science and social responsibility. Limiting access to this financing disrupts their ability to plan expenditures, increases expenses, and could result in higher health care costs.

These are UW-Madison's top concerns with H.R. 1. I urge you to support improvements to this bill as it is considered in the House. Please let me know if you have questions about the tax bill's impact on UW-Madison. I would welcome the opportunity to discuss this issue with you or your staff.

Thank you for your consideration of these issues.

Sincerely,

Becky Blank

Rebecca Blank
Chancellor