



Washington University in St. Louis

Mark S. Wrighton
Chancellor

November 10, 2017

The Honorable William L. Clay
United States House of Representatives
2428 Rayburn House Office Building
Washington, DC 20515-2501

Dear Congressman Clay:

I am troubled about the effect that H.R. 1, The Tax Cuts and Jobs Act, will have on colleges and universities, our employees, our students, and their families.

I join the broader higher education community in expressing concern about proposals that eliminate programs designed to help students and their families achieve their educational goals, including the repeal of the Lifetime Learning Credit while not substantially strengthening the American Opportunity Tax Credit, the repeal of the Student Loan Interest Deduction, the repeal of the qualified tuition reduction (Sec. 117(d)), and the repeal of the employer-provided educational assistance program (Sec. 127).

I am especially alarmed about provisions that make tuition waivers and education assistance from employers a taxable benefit. These policies have helped students obtain their college degrees and encouraged employers to help employees gain skills to advance their careers. They have enabled graduate students to earn PhDs and then go on to make tremendous contributions to our economy, public health, national security, and our fundamental understanding of the world. A Jobs Act should not erect additional barriers to higher education.

I join other non-profit institutions concerned about the impact H.R. 1 would have on charitable giving. A memo from the Joint Committee on Taxation recently estimated that for tax year 2018, approximately 41 million taxpayers who itemize will deduct charitable contributions totaling \$241 billion. Under H.R.1, the Committee estimates that approximately 9.4 million taxpayers who itemize will deduct charitable contributions totaling \$146 billion. Without a counterbalancing above-the-line deduction for charitable contributions, the proposed increase in the standard deduction and other provisions will result in the loss of billions in contributions, endangering non-profit organizations that play important roles in our community.



Also problematic is the long-term impact of Section 3601 and Section 6302, which alter the way 501(c)(3) hospitals, research facilities, long term care providers, universities, schools and other nonprofits utilize tax exempt bonds. The elimination of tax exempt financing will force 501(c)(3) organizations like Washington University to pay higher borrowing costs to finance critical educational and research infrastructure projects. The elimination of our ability to issue tax exempt advance refunding bonds will prevent organizations like ours from refinancing our tax-exempt bonds to take advantage of lower interest rates. These provisions would have a significant impact on nonprofit organizations.

An issue that is specific to Washington University is the proposed excise tax on private university endowments. Section 5103 of the legislation sets an incredibly dangerous and needless precedent that takes resources from non-profit educational institutions for no other reason but to meet other unrelated government revenue needs. Donors do not give to universities or other tax-exempt organizations to pay for the operation of the federal government or provide revenue to offset tax cuts.

The legislation's attempt to align private college endowments with the tax on private foundations is extremely misguided, not recognizing fundamental differences in their purpose, motivation and organization. Universities are designed to provide non-profit services, operating in perpetuity and therefore collecting and managing assets to benefit current and future generations of students and scholars. Foundations exist to support charitable activities, giving away funds to unrelated organizations.

The role of endowed funds in the sustained operation of a university has long been misunderstood, but properly managed endowment returns help Washington University to fund student financial aid, libraries, dormitories, student services, and research while providing the means to weather economic downturns. A proposal like Section 5103 will decrease the overall amount of funds available to the university to support our educational, research, and patient care missions.

The endowment excise tax proposal also singles out a set of universities based on an arbitrary set of criteria. The number of enrolled students, size of the endowment, and private non-profit university status have absolutely nothing to do with the quality of an institution's education offerings and research, its efficiency in operations, or other services provided.

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The responsible use and management of an endowment is an important part of the long-term operation of a modern university. Endowments create sustainable funding for important programs and services while helping to protect against unforeseen market variability. The tax code should continue to allow all non-profit universities to utilize these assets for the betterment of our students and staff.

Thank you for your attention to these troubling provisions in the Tax Cuts and Jobs Act.

With best regards,

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark". The signature is stylized with a large, looped "M" and a cursive "ark".

Mark S. Wrighton

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