

November 4, 2015

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

RE: PARTNERSHIPS Act (S. 2191)

Dear Ranking Member Wyden:

On behalf of the American Council on Education (ACE), I am writing today in support of the tax provisions in the PARTNERSHIPS Act (S. 2191), which you recently introduced. Founded in 1918, ACE is the major coordinating body for all the nation's higher education institutions, representing more than 1,600 college and university presidents and related associations.

Over the past two decades, policy makers have increasingly used the federal tax code to complement critical federal student aid programs, and the institutional financial aid colleges and universities provide, to help low- and middle-income students and families finance higher education. As a result, the tax code now contains a number of provisions, enacted discretely over time, that together create a framework that functions as “three-legged stool” intended to advance three important goals: 1) to encourage saving for higher education; 2) to help students and families pay for college; and 3) to assist with the repayment of student loans. This framework helps serve the needs of low- and middle-income students and families as they invest in themselves and their resources in higher education. We commend you for your leadership in efforts to enhance this framework with the introduction of the PARTNERSHIPS Act, which will make the tax code more effective in aiding students and families.

• **The American Opportunity Tax Credit and the Lifetime Learning Credit:**

We strongly support your effort to enhance the American Opportunity Tax Credit (AOTC) while preserving the Lifetime Learning Credit to provide students more assistance towards an associate or bachelor's degree, post-baccalaureate education and lifelong learning.

The PARTNERSHIPS Act takes several important steps to enhance the AOTC. The bill makes the AOTC permanent, expands the credit's refundability to 60 percent—which will be particularly important to the neediest students—increases the credit's eligibility

by a year to 5 years, expands the eligible expenses of the AOTC to include computers while also creating a uniform definition of eligible expenses across various tax provisions, and for the first time permits students who are enrolled less than half time to claim a partial credit.

Equally important, the bill better coordinates the interaction of the AOTC with the Pell Grant and, for the first time, completely excludes the Pell Grant from taxable income. Under current law, the AOTC contains a grant/scholarship offset that has the unintended effect of sharply limiting the size of the tax credit for needy students, particularly for those attending the lowest cost schools. As a result, some of the lowest-income students receiving the maximum Pell Grant award (\$5,775 for the current academic year) receive **no** benefit from the AOTC, regardless of the level of refundability. We applaud you for addressing this problem, which is crucial to helping these needy students.

- **Section 127 Employer-provided Educational Assistance:**

Section 127 currently allows employers to offer employees up to \$5,250 annually in tuition assistance, which is excluded from taxable income. It is effectively a matching grant program in which the federal government forgoes a proportionally small amount of revenue to leverage the investment employers make in their employees and the American workforce. This provision has been an important means of building and adding to the competencies of the workforce and is a critical tool to help our nation accelerate its economic growth. Unfortunately, the amount of eligible assistance under Section 127 has been set at the same level since its enactment in 1978. As a result, we strongly support the bill's doubling of the amount of eligible employer educational assistance to \$10,500 as well as the expansion of Section 127 to permit employers to provide assistance to an employee's spouse and dependents. In addition, the bill takes an important step toward helping address the challenge of student loan debt by expanding Section 127 to permit employers to help their employees repay student loans. All of these expansions of Section 127 would generate more private sector funds for financial aid and student loan repayment, which will be particularly helpful to low- and middle-income students and their families.

- **Exclusion of Student Loan Forgiveness:**

The PARTNERSHIPS Act also helpfully extends the tax exclusion of the discharge of remaining student loan debt, currently applicable to several federal and state student loan forgiveness programs, to two other federal loan forgiveness programs, the Income-Based Repayment and Income Contingent Repayment, to which it does not currently apply. These student loan forgiveness programs were created in an effort to increase college access and affordability by lowering the burden of monthly student loan debt. Under these programs, which require borrowers to make regular loan repayment over many years, remaining student loan debt after a specified time period is forgiven and discharged. Eliminating the taxation of the discharge of any remaining student loan

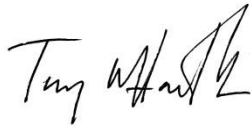
debt under these programs will help advance the laudable goals of access and affordability.

- **Section 529 College Savings Plans:**

The PARTNERSHIPS Act would make useful additions to Section 529 colleges savings plans, including permitting funds to be used for purchases of computers, internet access, and related equipment for a student's use at college, and it would allow students who obtain refunds of higher education expenses after they withdraw from school to redeposit those funds back in a 529 plan within 60 days without a tax penalty.

In conclusion, we appreciate your strong leadership in proposing important enhancements to various tax provisions important to higher education which help students and their families save and pay for college, and assist with the cost of repaying student loans. We are pleased to support the tax provisions in the PARTNERSHIPS Act and look forward to assisting in your efforts to advance those provisions of the legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry W. Hartle". The signature is written in a cursive style with a large, stylized initial "T".

Terry W. Hartle
Senior Vice President

TWH/law