

TAX REFORM AND HIGHER EDUCATION

What Students, Families, and Institutions Need to Know

Camp Tax Reform Act of 2014 – Provisions of Interest to Higher Education

Provision	Details	JCT Revenue Estimate (over 10 years)	Other Relevant Legislation & Proposals
Student & Family Education Tax Benefits			
American Opportunity Tax Credit (AOTC)	Modifies and makes permanent the AOTC. Decreases current AOTC income phase out levels for eligibility to \$43,000-\$63,000 for single filer (\$86,000 to \$126,000 for joint filers); increases refundability to 60% of tax credit; includes expansion of Pell Grant exclusion from gross .	-\$8.7 billion	Student and Family Tax Simplification Act (H.R. 3393) by Reps. Black & Davis
Lifetime Learning Credit	Repeals credit.	*included in AOTC estimate	
IRS Form 1098-T	Requires institutions to report amounts paid, rather than amounts billed, on IRS Form 1098-T.		PBR would require reporting amounts paid, rather than amounts billed.
Student loan interest deduction (SLID)	Repeals SLID.	\$13 billion	
Coverdell education savings accounts	Prohibits new contributions.	\$0.2 billion	
Above-the-Line Deduction for qualified tuition and related expenses	(EXTENDER, Expired December 31, 2016) The discussion draft neither made permanent nor extended this provision. This deduction allows eligible taxpayers to deduct up to \$4,000 in tuition expenses as an above-the-line exclusion from income.	\$596 million over 10-years (2014-2024)	One year extension included in the PATH Act enacted on December 18, 2015.

Exclusion of income from US savings bonds used to pay higher education tuition and fees.	Repeals provision. Under current law, interest on United States savings bonds is excluded from income if used to pay qualified higher education expenses. Only taxpayers with MAGI below certain (inflation-adjusted) levels qualify for the exclusion. For 2014, the exclusion phases out between \$113,950 and \$143,950 for joint returns and between \$76,700 and \$91,000 for other returns.	\$0.1 billion over 10-years 2014-2023	
Modifies the age test for a qualifying child	Current law requires an age test for a qualifying child to claim deductions or exemptions. In general, a child must be under age 19 or under age 24 in the case of a full-time student. The legislation would modify the age test to allow only a child that has not attained age 18 to qualify. It should be noted that the proposal repeals the deduction for personal exemptions, but for other remaining provisions for taxpayers with qualifying children, there would be no accommodation for full-time students.		
Employee Tax Benefits			
Expansion of Pell Grant exclusion from gross income	Current law requires that qualified scholarships, including Pell Grants, are excluded from gross income if used for qualified tuition and related expenses. The legislation would exclude all Pell grants from gross income regardless of use.	*Included in AOTC estimate	
Repeal of exclusion for discharge of student loan indebtedness	Repeals the tax exclusion for student loan debt forgiven for individuals that worked for a specified time period in certain professions or for a class of employers. This tax exclusion applies to several federal and state loan forgiveness programs, including the Public Service Loan Forgiveness (PSLF) for borrowers working in government and certain nonprofit jobs, the Teacher Student Loan Forgiveness Program (TEACH), and the National Health Services Corps Loan Repayment Program.	\$1.1 billion	
Section 117(d) qualified tuition reductions	Section 117 (d) allows institutions to provide tax- free undergraduate-level tuition waiver or reimbursements (for study at schools with reciprocal agreements) to employees, spouses and dependents. It also allows tax-free tuition of individuals employed as graduate-level teaching and research assistants. Repeals provision thereby eliminating tax free treatment of tuition remissions.	\$2.5 billion	

Section 127 employer-provided educational assistance	Section 127 employer-provided educational assistance. Allows employers to provide up to \$5,250 annually in tax-free tuition assistance at the graduate or undergraduate level. Repeals Section 127 thereby eliminating tax free treatment of employer provided educational assistance.	\$10.5 billion	
Exemption from FICA taxes for foreign workers	Repeals the exemption for FICA taxes for certain foreign students and their families in the U.S. on a temporary basis for educational purposes and to participants in cultural exchange programs.	\$7.7 billion	
Exemption from FICA taxes for students	Repeals exemption from FICA taxes for students employed by a school, college, or university. Exemption would be limited to the student's earnings that are less than the amount needed to receive a quarter of Social Security coverage for the year (\$1,200 for 2014).	\$13.0 billion	
Employer-provided housing exclusion	Limits the exclusion for housing provided for the convenience of the employer and employees of education institutions to \$50,000 (\$25,000 for a married individual filing a separate return) and to only one residence.*See page 191 of the draft legislative language.	<\$50 million	
Charitable Giving			
2% Minimum or "floor" for contributions to claim deduction	Imposes a 2% minimum or "floor" on charitable contributions in which only a deduction could be claimed for the amount contributions made that exceed 2% of an individual's adjusted gross income (AGI).	\$858.4 billion (estimate includes changes to all types of itemized deductions)	28% cap proposal in President Obama's FY15 budget plan
Increase in the standard deduction	Increases standard deduction for individuals from \$6,100 to \$11,000 (\$12,200 to \$22,000 for households). Only 5 percent of taxpayers would itemize versus roughly 30 percent under current Code.	-\$666.2 billion	
Timing of tax deductible contributions	Enables taxpayers to deduct contributions made after the close of the tax year, but before April 15.	\$858.4 billion (estimate includes changes to all types of itemized deductions)	
AGI limitations on cash contributions and capital gain property.	AGI limitations on cash contributions and capital gain property would be simplified.	\$858.4 billion (estimate includes changes to all types of itemized deductions)	

Charitable IRA Rollover	Repeals the provision.	\$1.779 billion over ten years (2014-2024)	Made permanent by the PATH Act enacted on December 18, 2015.
Charitable deduction for the right to purchase tickets for athletic events (Sec. 170 (1)).	Repeals special rule that provides a charitable deduction of 80 percent of the amount paid for the right to purchase tickets for athletic events.	\$858.4 billion (estimate includes changes to all types of itemized deductions)	
Tax-Exempt Bond Financing			
Private activity bonds	[PRIVATE INSTITUTIONS, primarily] Eliminates private activity bonds. Organizations qualified under Section 501(c)(3) would no longer be eligible to borrow on a tax- exempt basis.	\$23.9 billion	
Advance refunding bonds	Eliminates advance refunding bonds.	\$8.3 billion	
Municipal bonds	Applies a de facto 10% surcharge on municipal bonds. The tax preference for earnings on municipal bonds would not be allowed against the 35% individual income bracket.		PBR would limit tax-exempt interest exclusion to 28%, proposes new direct-pay bonds.
UBIT, Excises Taxes & Penalties			
Name and logo royalties	Any sale or licensing by a tax- exempt organization if its names or logo would be treated as unrelated trade and royalties paid with respect to such licenses would be subject to UBIT.	\$1.8 billion	
Separately computed UBIT	Tax-exempt organizations would be required to calculate separately the net unrelated taxable income of each unrelated trade or business.	\$3.2 billion	
Qualified sponsorship payments	The UBIT exception for qualified sponsorship payments would be significantly scaled back.	<\$50 million	

UPDATED October 18, 2017

Intermediate sanctions and self-dealing	[PRIVATE INSTITUTIONS ONLY] Significantly alter intermediate sanctions and self-dealing provisions. It would eliminate rebuttable presumption of reasonableness for determining executive compensation. Also, it would treat investment advisors and athletic coaches as disqualified persons.	<\$50 million	
Type II & III supporting organizations	Type II and Type III supporting organizations classifications would be repealed.	\$1.4 billion	
Endowment earnings excise tax	[PRIVATE INSTITUTIONS ONLY] Private colleges and universities with assets (other than those used directly in carrying out the institution's educational purposes) valued at the close of the preceding tax year of at least \$100,000 per full-time student, would be subject to a 1-percent excise tax on net investment income.	\$1.7 billion	
Excise tax on executive compensation	A tax-exempt organization would be subject to a 25 percent excise tax on compensation in excess of \$1 million paid to any of its five highest paid employees for the tax year.	\$4.0 billion	
UBIT underpayment penalties	Creates a new 5-percent penalty applied to managers for any substantial understatement of UBIT.	<\$50 million	
Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations. Also known as 512(b)13(E).	The discussion draft neither made permanent nor extended 512(b)13(E). This provision quantifies as UBIT only the portion of payments to the controlling exempt organization from interest, annuities, rents, and royalties from a controlled organization that exceed fair market value.	\$36 million over ten years (2014-2024)	Made permanent by the PATH Act enacted on December 18, 2015.
Tax on research income	Income from research not made "publicly available" would be treated as unrelated trade or business income and subject to the UBIT rules.	\$0.7 billion	
Other Tax Code Provisions			
R&D Tax Credit	Makes the credit permanent and modifies it so that the credit would equal: (1) 15% of the qualified research expenses for the tax year that exceed 50% of the average qualified research expenses for the 3 previous years (this makes permanent the Alternative Simplified Credit), or (2) 15% of the basic research payments for the tax year that exceed 50% of the average basic research payments for the 3 previous years.	-\$34.1 billion	

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Energy efficient commercial building deduction	(EXTENDER, Expired December 31, 2016) The discussion draft neither made permanent nor extended Section 179D. Section 179D permits a government building owner (for example, public institutions of higher education) to allocate the 179D deduction to one or more persons "primarily responsible for designing the property"; this can include architects, engineers, contractors, environmental consultants, or energy services providers.		
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