

Tax Reform and Higher Education

Provision	Current	Senate Proposal	JCT Revenue Estimate 2018-2027	House Proposal	JCT Revenue Estimate 2018-2027
Student & Family Tax Benefits					
American Opportunity Tax Credit ("AOTC")	<p>The AOTC is a credit for qualified education expenses paid for an eligible student for the first 4 years of higher education.</p> <p>The maximum AOTC is \$2,500 per eligible student: 100% of first \$2,000 of qualified education expenses ("QEE") paid; 25% of the next \$2,000 of QEE.</p> <ul style="list-style-type: none"> o If the credit brings the amount of tax owed to zero, 40% of the remaining credit (up to \$1,000) is refundable o Eligible student: A student pursuing a degree or recognized education credential, enrolled 1/2 time for 1 academic period; not have a felony drug conviction <p>Phase-out: The credit phases out ratably for taxpayers with modified adjusted gross income ("AGI") AGI between \$80,000 and \$90,000 (\$160,000 and \$180,000 for joint filers) in 2017.</p>	Not addressed.	N/A	<p>The House bill consolidates three existing higher education tax credits (i.e., the AOTC, the Hope Scholarship Credit ("HSC"), and the LLC) into one modified AOTC.</p> <p>Like the current AOTC, the new AOTC would provide a 100% credit for the first \$2,000 of expenses, and a 25% credit for the next \$2,000 of expenses, for the first 4 years of education.</p> <p>Additionally, the new AOTC would also be available for a fifth year of post-secondary education at half the rate of the first four years. \$500 of such credit would be refundable.</p>	\$17.3 billion
Lifetime Learning Credit ("LLC")	<p>The LLC is available for 20% of QEE up to \$10,000, per taxpayer (instead of per eligible student).</p> <ul style="list-style-type: none"> o Nonrefundable o No limit on number of years <p>Phase-out: The maximum credit is \$2,000, but phases out ratably between \$56,000 and \$66,000 (\$112,00-\$132,000 for joint filers) in 2017.</p>	Not addressed.	N/A	Repeals credit (consolidates with AOTC).	Included in AOTC estimate
Coverdell education accounts	Section 530 allows Coverdell education savings accounts on behalf of a designated beneficiary to pay qualified education expenses.	Not addressed.	N/A	<p>Prohibits new contributions.</p> <p>Tax-free rollovers into Section 529 plans allowed.</p> <p>Effective for taxable years beginning after 2017.</p>	
Section 529 plans	A qualified tuition program (i.e., a Section 529 plan) is a program that allows individuals to pay for qualified higher education expenses of a designated beneficiary either through a prepaid tuition program or a college savings program.	<p>Contribution limitation to ABLE accounts is increased under certain conditions (for distributions after date of enactment and before 2026).</p> <p>Allows tax-free rollovers from Section 529 plans to ABLE accounts (for distributions after date of enactment and before 2026).</p>	(\$0.1 billion)	<p>Expands Section 529 plans to allow unborn children to be designated as beneficiaries.</p> <p>Expands Section 529 plans to cover expenses for apprenticeship programs and up to \$10,000 of elementary and high school expenses.</p> <p>Allows tax-free rollovers from Section 529 plans to ABLE accounts.</p> <p>Effective for taxable years beginning after 2017</p>	Both provisions are included in \$0.6 billion estimate for Section 1201 "Consolidation of education savings rules"
Exclusion for employer-provided housing	Section 119 excludes employer-provided housing and meals to an employee from income in certain situations. For educational institutions, this exclusion includes rent paid by the employee, subject to certain limitations.	Not addressed.	N/A	<p>Exclusion limited to \$50,000 (\$25,000 for married individual filing separate), and phases out for highly compensated individuals.</p> <p>Effective for tax years beginning after 2017</p>	<\$0.05 billion

Discharge of student loan indebtedness	Under Section 108, discharge of student loan indebtedness constitutes income.	Provides an exclusion from income for any discharge of student loan indebtedness resulting from death or total disability of the student. Effective for taxable years beginning after 2017 and before 2026.	(\$0.1 billion)	Provides an exclusion from income for any discharge of student loan indebtedness resulting from death or total disability of the student, and income repayment of a taxpayer's loans pursuant to the Indian Health Service Loan Repayment Program. Effective for tax years beginning after 2017.	(\$0.1 billion)
Above-the-Line Deduction for qualified tuition and related expenses	Section 222 provides an above-the-line deduction for qualified tuition and related expenses paid by a taxpayer, subject to certain limitations.	Not addressed.	N/A	Repeals deduction.	These provisions are all included in \$47.5 billion estimate for Section 1204 "Repeal of other provisions relating to education"
Exclusion from income for interest on U.S. savings bonds used to pay for higher education	Under current law, interest on U.S. savings bonds is excluded from income if used to pay qualified higher education expenses, phased-out for certain income levels.	Not addressed.	N/A	Repeals exclusion.	
Student Loan Interest Deduction ("SLID")	Taxpayers may take an above-the-line deduction on the interest paid on qualified education loans. Phase-out: The maximum deduction is \$2,500, but phases out ratably between \$65,000 and \$80,000 (\$135,000 and \$165,000 for joint filers) in 2017.	Not addressed.	N/A	Repeals SLID.	
Qualified Tuition Reduction	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.	Not addressed.	N/A	Repeals exclusion.	
Exclusion for employer-provided education assistance	Under current law, employer-provided education assistance is excluded from income, limited to \$5,250 per year.	Not addressed.	N/A	Repeals exclusion.	
Charitable Giving					
Charitable contributions	Taxpayers may take an itemized deduction for charitable contributions limited to 50% of AGI for cash and capital gain property contributions to public charities and certain private foundations.	Charitable contribution limited to 60% of AGI for cash and capital gain property contributions to public charities and certain private foundations	This provision is included in \$979.6 billion estimate for Item I.D.1	Charitable contribution limited to 60% of AGI for cash and capital gain property contributions to public charities and certain private foundations	This provision is included in \$1.261.3 billion estimate for Item I.D.1
Increase in the standard deduction	Individuals are allowed to claim a personal exemption for the taxpayer, his/her spouse, and any dependents. Individuals are also allowed to reduce their AGI by either the standard deduction (\$12,700 for married filing jointly) or itemized deductions.	Increases the standard deduction to \$12,000 for single filers, \$24,000 for joint filers, and \$18,000 for Head of Household.	(\$736.9 billion)	The standard deduction would be roughly doubled to \$12,200 for single filers, \$24,400 for joint filers, \$18,300 for Head of Household.	(\$921.4 billion)
Charitable deduction for the right to purchase tickets for athletic events	Section 170(l) provides a charitable deduction of 80% the amount paid for the right to purchase tickets for athletic events.	Repeals deduction.	\$1.9 billion	Repeals deduction.	This provision is included in \$1.261.3 billion estimate for Item I.D.1

Tax-Exempt Bond Financing					
Private activity bonds	Under Section 103, interest on private activity bonds is excluded from gross income, subject to certain requirements.	Not addressed.	N/A	Repeals exclusion.	\$38.9 billion
Advance refunding bonds	Under Section 103, interest on advance refunding bonds is excluded from income, subject to certain limitations.	Repeals exclusion.	\$16.8 billion	Repeals exclusion.	\$17.3 billion
UBIT & Excise Taxes					
Name and logo royalties	Certain types of income are exempt from unrelated business taxable income ("UBTI")	Proposal removed from Senate bill.	N/A	Not addressed.	N/A
Separately computed UBIT	Under Section 512, the UBTI of an exempt organization is its gross income derived from any unrelated trade or business regularly carried on by the organization, minus any deductions for expenses related to such trade or business.	Tax-exempt organizations would be required to calculate separately the net unrelated taxable income of each unrelated trade or business.	\$3.2 billion	Not addressed.	N/A
Excise tax on private colleges and universities	N/A	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 \$500,000 per full-time student, would be subject to a 1.4% excise tax on net investment income.	\$1.8 billion	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 \$250,000 per full-time student, would be subject to a 1.4% excise tax on net investment income.	\$2.5 billion
Excise tax on tax-exempt organization executive compensation	N/A	Tax exempt organizations would be subject to a 20% excise tax on compensation in excess of \$1 million paid to its five highest paid employees.	\$3.6 billion	Tax exempt organizations would be subject to a 20% excise tax on compensation in excess of \$1 million paid to its five highest paid employees.	\$3.6 billion
Tax on research income	Under current law, income from a research trade or business is generally exempt from UBIT.	Not addressed.	N/A	Income from research not made "publicly available" would be treated as UBTI and subject to the UBIT rules.	\$0.7 billion
Other Proposals					
Estate, Gift, and Generation-skipping Tax ("GST")	Generally, property inherited through an estate or received as a gift is taxed at a top rate of 40%; the first \$5 million in transferred property is exempt from any combinations of estate, gift, or GST taxes.	Does not repeal estate, gift or generation-skipping tax regimes. Approximately doubles the basic exemption for the estate, gift, and generation skipping transfer taxes, beginning for tax years after 2017 (\$10 million for individuals, indexed for inflation).	(\$83 billion)	The estate, gift, and generation-skipping taxes initially would be retained with a doubled \$10 million basic exclusion, but after 2024 the estate and GST taxes would be repealed (with a stepped-up basis in property) and the top rate on the gift tax would be reduced to 35%.	(\$150.7 billion)
Modification of taxes on excess benefit transactions (intermediate sanctions)	The Internal Revenue Code imposes excise taxes on excess benefit transactions between disqualified persons and charitable organizations (other than private foundations) or social welfare organizations.	Proposal removed from Senate bill.	N/A	Not addressed.	N/A
Sources:					
House Materials					
	1 Amendment in the Nature of a Substitute to H.R. 1 "Tax Cut and Jobs Act" Committee on Ways and Means, Tax Cut and Jobs Act H.R. 1, Section-by-Section Summary, 2 November, 2017. 2 Joint Committee on Taxation, Estimated Revenue Effects of the Chairman's Amendment to the Amendment in the Nature of a Substitute H.R. 1, The "Tax Cuts and Jobs Act," for Markup by the Committee on Ways and Means on November 6, 2017, 7 November 2017. 3 Joint Committee on Taxation, Estimated Revenue Effects of the Chairman's Perfecting Amendment to the Amendment in the Nature of a Substitute H.R. 1, The "Tax Cuts and Jobs Act," 9 November 2017. 4	https://waysandmeans.house.gov/wp-content/uploads/2017/11/20171106-Amendment-in-the-Nature-of-a-Substitute-to-H.R.-1.pdf https://waysandmeansforms.house.gov/uploadedfiles/tax_cuts_and_jobs_act_section_by_section_hr1.pdf https://www.jct.gov/publications.html?func=startdown&id=5026 https://www.jct.gov/publications.html?func=startdown&id=5027			
Senate Materials					
	1 Manager's Amendment to the "Tax Cut and Jobs Act", 1 December 2017. Joint Committee on Taxation, Estimated Revenue Effects of the "Tax Cut and Jobs Act," as Ordered Reported by the Committee on Finance on November 16, 2017, 17 November, 2017. 2 3 Joint Committee on Taxation, Estimated Revenue Effects of the "Tax Cut and Jobs Act," as Reported by the Committee on Finance, 1 December, 2017.	https://www.budget.senate.gov/imo/media/doc/TAX%20SUBSTITUTE.pdf https://www.jct.gov/publications.html?func=startdown&id=5043 https://www.jct.gov/publications.html?func=startdown&id=5046			