



University of Colorado

Boulder | Colorado Springs | Denver | Anschutz Medical Campus

November 20, 2017

The Honorable Cory Gardner
United States Senate
354 Russell Senate Office Building
Washington, DC 20510

Re: Higher Education Provisions in the *Tax Cuts and Jobs Act*

Dear Senator Gardner:

On behalf of the University of Colorado, we write to express our concerns with provisions included in the *Tax Cuts and Jobs Act*, that will negatively impact students and universities in Colorado and across the United States.

The University of Colorado (CU) is a public research university with multiple campuses serving Colorado, the nation, and the world through high-quality education, research, public service and healthcare delivery. As Colorado's flagship university and one of its largest employers, CU contributes \$12.5 billion in economic impact annually. Our four campuses enroll more than 72,000 students, employ some 34,000 individuals, attract over \$1 billion in sponsored research annually, and have a combined total of more than 200,000 alumni in Colorado and 450,000 around the world.

Protecting College Affordability and Research

We are pleased that the Senate bill retains essential tax benefits for our students that the House bill eliminates, including tax-exempt tuition waivers for our graduate teaching and research assistants, the student loan interest deduction, and the Lifetime Learning Credit. We believe that colleges and universities have a responsibility to ensure college remains affordable, which is why CU invested over \$184 million in institutional aid for our students across our four campuses last year. The House tax bill would undermine our institutional efforts to ensure access and affordability for students and increase the cost of a college education by \$71 billion nationwide over the next decade.

We are particularly concerned that the House bill would impose a tax increase on our graduate teaching and research assistants by counting the tuition reductions they receive for service to the university as taxable income. As you know, CU is a major research institution and world leader in aerospace, energy, climate, cybersecurity, human health research, and more. This year, Reuters ranked the CU four-campus system #29 among the world's most innovative universities. Our graduate students are a critical, but often unseen, part of the CU research enterprise, which contributes to the well-being of Coloradans, the nation, and the world. Eliminating this benefit for our graduate teaching and research assistants would unfairly shift the federal tax burden to those who can least afford it. It would make college more costly, discourage students from pursuing a graduate education, harm the research enterprise, and shrink the workforce pipeline in critical need areas such as science, technology, engineering and math (STEM). **We urge you to ensure that these provisions from the House bill, which would make college more expensive for students and jeopardize student participation in research, are not included in the final tax bill.**

Priority Areas to Amend in the Senate Bill

We are also deeply concerned that the Senate tax bill would negatively impact our students and campuses. While the Senate tax bill includes a broad range of tax law changes that would impact the CU community, we would like to highlight several especially problematic areas. These include provisions that will limit our ability to make critical infrastructure investments; discourage private investment in CU's teaching, research,

public service, and patient care missions; and increase university costs and administrative burden that will harm our students and local communities.

Financing Colorado's Infrastructure Investment Needs

CU uses tax-exempt bond financing to make important capital infrastructure investments such as the construction of academic buildings, residence halls, student centers, and many other facilities. CU is particularly concerned that both the Senate and House tax bills would repeal the tax exemption for advance refunding bonds. Public university systems like CU have used advanced refunds to great effect over the last decade – reducing costs for students and faculty even as state financial resources have been severely restricted. We estimate that CU has saved approximately \$60 million in borrowing costs over the last decade by using advanced refunds. Access to tax-exempt refunding bonds is an important part of our efforts to reduce overhead costs at CU in order to keep college affordable for our students. Eliminating this benefit will dramatically increase CU's borrowing costs in the future. It will also impact many of our key partners across the state, including the University Corporation for Atmospheric Research (UCAR), who also benefit from access to advance refunding bonds to pay for capital projects. **We urge you to preserve the tax exemption for advance refunding bonds and protect cost effective options for investing in Colorado's scientific, education and healthcare infrastructure needs.**

Promoting a Simple, Fair Tax Structure for Universities

We are also concerned that the Senate bill contains several new provisions that would increase taxes on university business income. Of particular concern is the so-called "basketing" proposal that would require universities to calculate business income derived from activities unrelated to our education, research and public service missions separately for each activity rather than in the aggregate. This new accounting method will hold universities, like CU, to new and unfair standards that are not imposed on any other sector or industry. It will also impose a new and costly administrative burden on our campuses at a time when both Congress and the Administration have prioritized reducing regulatory burden on universities. This proposal would increase CU's operating costs and ultimately impact our students either through the services they receive or the tuition they pay. Finally, we are concerned that a higher tax burden may be too costly for us to continue renting our facilities to the public, which could have a negative downstream effect on our local communities and businesses. **We urge you to remove the new "basketing" provision in the final tax bill to avoid substantial new costs and lost revenues to universities, students, and local businesses in Colorado.**

Encouraging Private Support of CU's Missions

For public colleges and universities like CU, the charitable deduction is vital to generating private support to help achieve our educational missions of teaching, research, public service, and patient care. In an effort to simplify the tax code, both the Senate and House tax bills nearly double the standard deduction, a change that is projected to eliminate use of the charitable deduction for more than 90 percent of U.S. taxpayers. The nonpartisan Joint Committee on Taxation (JCT) estimates that the *Tax Cuts and Jobs Act* would decrease use of the charitable giving tax credit by \$95 billion (approximately 40%) next year alone. This would result in a loss of millions of dollars for financial aid programs that benefit CU students, teaching and research activities by CU faculty, and vital patient care programs. This week, your colleague Senator Lankford of Oklahoma introduced the [*Universal Charitable Giving Act*](#), legislation that would continue to allow non-itemizing taxpayers to deduct charitable gifts of up to \$8,000 for couples. While we would strongly prefer to see a universal, above-the-line charitable deduction without a cap on giving, we believe this legislation offers the best opportunity to offset the significant losses in private giving that are expected from doubling the standard deduction. **We urge you to preserve incentives for charitable giving, such as those proposed in the *Universal Charitable Giving Act*, in the final tax bill.**

We are also deeply concerned that both the Senate and House tax bills would create a tax on endowments targeted at private colleges and universities. While this provision – as currently written – does not directly impact CU, we are very concerned about the precedent of an endowment tax, which could eventually be expanded to public institutions, as well. CU's endowment is a vital tool for philanthropists to fund the important missions of the university in perpetuity. Taxing these funds will rob future generations of Coloradans of opportunities in education and science. We are likewise concerned by the repeal of the charitable deduction for the right to purchase tickets at college athletic events. This is another tool that incentivizes charitable giving to support our students, research and public service.

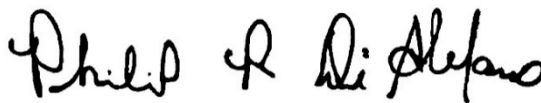
Finally, we are concerned that the Senate bill would repeal the health insurance individual mandate without putting in place alternative policies to encourage participation. An estimated 225,000 fewer Coloradans will have coverage in 2025 if the individual mandate is repealed. Every day, over 3,000 clinical healthcare providers at CU treat Coloradans with some of the most complex and severe medical conditions, and our faculty see first-hand the life changing impact of meaningful healthcare coverage.

Thank you for your support for CU and your leadership as Congress continues to work on the first comprehensive tax reform package in over 30 years. As the legislative process proceeds, we urge you to consider the impacts the *Tax Cuts and Jobs Act* will have on not only CU's students, faculty, and staff, but also the innovation and workforce pipeline in Colorado and the nation.

Sincerely,



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University of Colorado



Philip DiStefano, Chancellor
University of Colorado Boulder



Venkat Reddy, Chancellor
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