November 10, 2017

The Honorable Paul Ryan
Speaker
U.S. House of Representatives

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives

Dear Speaker Ryan and Minority Leader Pelosi:

On behalf of the nation's more than 1,100 community colleges, the American Association of Community Colleges (AACC) and the Association of Community College Trustees (ACCT) write to express our opposition to several of the provisions in the Tax Cuts and Jobs Act (H.R. 1).

While tax reform is desirable, the country cannot afford to make financing community college more difficult. The average full-year community college tuition is $3,570, making it the least expensive sector of higher education by far, but students are still heavily dependent on the tax code to meet their college costs. H.R. 1 would eliminate some of these essential supports, adding $65 billion to college costs over the next decade. For this reason, we urge you to rethink and reject these dramatic changes to college financing.

Of the numerous provisions that will impact students and higher education institutions, our top priorities are:

American Opportunity and Lifetime Learning Credits

H.R. 1 folds the Lifetime Learning Credit (LLC) into the American Opportunity Tax Credit (AOTC), which includes a new 5th year, but at half the amount of the full credit. This new fifth year in no way compensates for the loss of the LLC, which covers non-credit students and those enrolled less than half time. Students claiming the LLC are often adults who need skills-focused education to obtain new jobs or progress in their current occupations. Every year, over 5 million people enroll in community college non-credit programs. The LLC was deliberately designed to complement the AOTC by assisting these students. Folding the LLC into the AOTC will make retraining more expensive, and is the wrong step for the American economy.

We also urge Congress to remedy the serious flaw in the AOTC that prevents Pell Grant recipients at our institutions from fully benefitting from the credit. Pell Grants and other non-taxable scholarships that students receive are deducted from the educational expenses used to calculate a student's AOTC. In many cases, this results in community college Pell Grant recipients being ineligible for any AOTC. This penalty on our financially neediest students must be rectified.

Charitable Contributions

Charitable contributions are vital to community colleges, and we have deep concerns over the potential reduction in giving that H.R. 1 may cause. The opportunity to deduct contributions from taxable income is a key incentive for charitable giving, but is only available to those who itemize their deductions. Doubling the standard deduction would reduce the percentage of itemizers from about 30% to 5%, reducing charitable giving by as much as $13 billion annually. We urge inclusion of a "universal" deduction, available to non-itemizers, for charitable contributions.

Employer Educational Assistance

Section 127 of the tax code, eliminated in H.R. 1, allows employers to provide up to $5,250 tax-free to cover their employees' educational expenses. Thousands of community college students, who typically are older than

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traditional college-aged students and have jobs, rely upon this provision, which boosts student retention and completion.

State and Local Taxes Deduction

As public institutions, community colleges rely heavily on state and local government support. Unfortunately, in recent years constrained state budgets have led to sustained public disinvestment in higher education, which in turn has caused program cuts and tuition increases. Eliminating the state and local tax deduction would result in less revenue being available to state and local governments and exacerbate state disinvestment in our colleges. Therefore, we urge you to maintain this deduction. Higher education is a public good that benefits the entire community, not just the students who are educated.

Student Loan Interest Deduction

The Student Loan Interest Deduction (SLID) allows students repaying their loans to deduct up to $2,500 in student loan interest paid. Millions of taxpayers benefit annually from SLID, including many who attended community college. Eliminating this provision would mean that, over the next decade, the cost of student loans for borrowers would increase by roughly $24 billion.

Qualified Tuition Reductions

Current law allows educational institutions to offer tuition reductions to their employees and dependents as a non-taxable benefit. While it is often associated with high tuition institutions, many community colleges also offer this benefit to their employees and families. This incentive helps community colleges attract and retain top-quality faculty, to the benefit of all students, and should be maintained in a reformed tax code.

Thank you for considering our views on these vital matters. Our students and institutions are depending on you to make prudent choices as this landmark legislation advances.

Sincerely,

Walter G. Bumphus	J. Noah Brown
AACC President and CEO	ACCT President and CEO

Cc: Members of the U.S. House of Representatives