

November 2017 Federal Update

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Questions will be taken at the end of the presentation.

Congressional Agenda For the Rest of the Year

HOLD ON TIGHT!



Tax Reform

House Bill

Timeline:

Passed out of the Ways and Means Committee on [Thursday Nov. 9, 2017](#)

Floor consideration:

November 15-16, 2017

Higher Education Provisions: House Bill (1/3)

- **Impact on Charitable Giving:** Doubles the standard deduction for individuals and couples, which will reduce the number of taxpayers who itemize, significantly reducing the value of the charitable deduction, and lead to a drop in donations to colleges and universities.
- **Deduction of College-Age Dependents:** Under current law, taxpayers may claim a deduction (\$4,050 in 2017) from income for each dependent. Dependents are typically the taxpayer's children who are 18 years old or younger. A taxpayer's dependent children age 19 to 23 who are full-time college students also qualify for this deduction. The House bill eliminates all personal exemptions (in favor of higher standard deductions).
- **New Version of the American Opportunity Tax Credit (AOTC),** with positives and negatives: **(Raises \$17.3 billion over 10 years)**
 - **Positives:** Maintains AOTC eligible expenses and refundability, maintains current income thresholds (individual: \$80,000-90,000/joint: \$160,000- 180,000), and expands credits to a fifth year but at a reduced amount of \$1,250 with \$500 refundability.
 - **Negatives:** Completely eliminates tax benefit for non-traditional students taking longer than five years to complete their degrees, part-time students, graduate students and lifetime learners.

Higher Education Provisions: House Bill (2/3)

- **Repealed (Repealed provisions raise \$47.5 billion over 10 years):**
 - The Hope Scholarship Credit; the Lifetime Learning Credit and tuition deduction (no separate score)
 - The Student Loan Interest Deduction
 - The Section 117(d) tuition reduction assistance
 - Section 127 employer-provided educational assistance
- **Discharge of Certain Student Loan Indebtedness:**
 - Discharge of student loan debt on account of death or total disability would not be taxable. **(Costs \$100 million over 10 years)**
- **1.4 Percent Excise Tax on Certain Private College/University Endowments:** A 1.4 percent excise tax on investment income for private college and university endowments with a value of at least \$100,000 per each student and at least 500 full and part-time students. **(Raises \$3 billion over 10 years)**

Higher Education Provisions: House Bill (3/3)

- **Repeal of Private Activity Bonds:** Elimination of the tax exemption for interest on new private activity bonds, which would essentially prevent private institutions from using tax-exempt bond financing. **(Raises \$38.9 billion over 10 years)**
- **Executive Compensation:** For tax-exempt organizations (including colleges and universities), a 20 percent excise tax on compensation above \$1 million paid to any of its five highest paid employees; would also apply to excess parachute payments paid to such individuals. **(Raises \$3.6 billion over 10 years)**
- **Unrelated Business Income Tax (UBIT):** Income derived from research not made “publicly available” would be treated as unrelated trade or business income and subject to the UBIT rules. **(Raises \$700 million over 10 years)**

Educator Provisions: House Bill

The proposed elimination or modification of the state and local tax (SALT) deduction

Not only will it hurt more than 43 million taxpayers from all 50 states and across all income brackets, it also will hurt the ability of state and local governments to fund essential services such as public education. Because state and local funding accounts for more than half of higher education funding and about 90 percent of funding for K-12 schools, any reduction will almost certainly lead to cuts in public education.

Changes to education-specific tax provisions, including 529 accounts and the educator expense deduction

The House bill expands 529 accounts so they can be used for private K-12 educational expenses of up to \$10,000. This is a major change from current tax policy under which the existing Coverdell accounts (which are income-restricted) were the only type of tax-free account available to parents for private school expenses.

The House bill would also end the deduction for educators who spend their own money on classroom materials.

Senate Bill

Timeline:

Full Committee Markup

November 13-17

11/13: <http://bit.ly/2zrTMTp>

11/14: <http://bit.ly/2htJ4RK>

Possible Floor Consideration:

November 20-22

OR

November 27-Dec 1

Higher Education Provisions: The Senate Bill

VERY Similar to the House Bill – details on previous slides

- Increase in the standard deduction and loss of charitable deduction;
- Repeal of the deduction for personal exemptions, including college-age dependents;
- Repeal of state and local tax (SALT) deduction;
- Repeal of advance refunding bonds;
- Creation of a new excise tax on endowments at certain private colleges and universities; and
- Changes to Unrelated Business Income (UBIT)

Voucher Amendments: Senate Bill

Two main voucher amendments being offered to the Senate bill:

- **Hatch Amendment #4** -- An amendment to section 170 of the Internal Revenue Code.

Description of Amendment: A charitable deduction would be allowed for certain qualified tuition and related expenses relating to qualified religious instruction, as per the draft legislative language.

- **Scott Amendment #3** – K-12 Scholarship Tax Credit

Description of the Amendment: The Amendment would add a K-12 education tax credit for corporate and individual contributions to state non-profit organizations who provide scholarships for children in low-income to middle class families. This amendment would go into effect 60 days after the enactment of this legislation.

Resources

Curious on the Higher Education Provisions?

<http://www.acenet.edu/Pages/Higher-Education-and-Tax-Reform.aspx>

Really Interested in Tax Policy and Not Afraid of jargon and more?

The Joint Committee on Taxation: <https://www.jct.gov/>

Committee Webpages

<https://waysandmeans.house.gov/>

<https://www.finance.senate.gov/>

Next Steps

Once the House and Senate complete their consideration of their respective tax bills, they will move to conference.

Once conferees are named (a process unto itself in the House! a bit easier in the Senate...)

Stage 1: staff work out as many of the differences as possible.

Stage 2: what is left will be determined at the Member level.

Stage 3: Once agreement is met, a Conference Report is crafted and sent to both the House and Senate.

Stage 4: IF the House & Senate pass the Conference Report, the measure is sent to the President for his signature.

Target Timeline: Signed into law by end of 2017

Appropriations

**We are operating under a Continuing
Resolution (CR) through December 8, 2017**

The Current Negotiation Levels

House Funding Levels : Program Specifics

Program

Labor-H Bill, House Appropriations Committee

ESSA Title II-A State Grants

Zeroed out

Teacher Quality Partnership Grants

Zeroed out

School Leader Recruitment and Support

Zeroed out

Public Service Loan Forgiveness Program

Flat funded

Federal Work-Study

Flat Funded

Supporting Effective Educator Development

Cut by \$23 million

Teacher and School Leader Incentive Grants

Flat Funded

TEACH grants

Flat funded (in essence; the accounting is complicated)

Pell Grants

Flat funded (in essence; rescinds Pell surplus)

Institute for Education Sciences

Flat funded

Rural Education Achievement Program

Flat funded

Special Education Personnel Preparation

Flat funded

Senate Labor-H Bill Program Specifics

Program

Labor-H Bill, Senate Appropriations Committee

ESSA Title II-A State Grants

Flat funded

Teacher Quality Partnership Grants

Cut by \$5 million

School Leader Recruitment and Support

Eliminated

Public Service Loan Forgiveness Program

Flat funded

Federal Work-Study

Flat Funded

Supporting Effective Educator Development

Level funded

Teacher and School Leader Incentive Grants

Cut by \$13 million

TEACH grants

Flat funded (in essence; the accounting is complicated)

Pell Grants

Flat funded (in essence; rescinds Pell surplus)

Institute for Education Sciences

Cut by \$5 million

Rural Education Achievement Program

Flat funded

Special Education Personnel Preparation

Flat funded

Next Steps

The target is to craft an omnibus for FY18, although there is a strong chance that in order to complete this work a short-term CR might be necessary.

Remember, the deadline is December 8, 2017.

The current rumor – the CR might be through December 31, 2017.
Yes, that means Congress would be working *through Christmas*.

The Senate sits in a stronger position as it moved its Labor-H bill bipartisanly, even though the House moved its bill completely through the process, but it was a partisan bill.

Recall that the FY18 caps found in the Budget Control Act lower funding levels for non-defense discretionary programs. If the caps are exceeded, a new round of cuts goes into effect.

Sequester Relief

One Solution:

#RaiseTheCaps

Since 2011, Congress has acted to raise the budget caps over the years – raising defense and non-defense discretionary caps by the same amount:

FY13:	\$12b for both
FY14:	\$22b for both
FY15:	\$9b for both
FY16:	\$33b for both
FY17:	\$15b for both

We need the caps raised to ensure that education funding is not shortchanged or drastically cut in the omnibus.

When Would a Raise the Caps Deal Happen?

With the House and Senate looking to conference their tax bills by the end of the calendar year, work will continue in both bodies.

Options Include:

DACA resolution

Budget deal to raise the caps

Third Disaster Relief Package

Higher Education Act Reauthorization (House Only)

Russia Investigation continues

Other items that pop up (they always do!)

Raise the Caps to Give Sequestration Relief

AACTE ACTION ALERT

<http://bit.ly/RaisetheCaps>

Once we get them at the table for a deal, the larger concern becomes ensuring that the caps for BOTH defense & non-defense discretionary are raised the same amount.

Do Not Forget: Your VOICE Matters!

IMPORTANT BACKGROUND WORK FOR YOUR ADVOCACY

Please be sure to do the following as you engage in advocacy:

- Check your **faculty/staff handbooks** to be clear on the guidelines to advocating using your title and institutional address.
- Connect with your **institution's government relations staff** to coordinate and collaborate in your efforts. You don't want to inadvertently cause problems with your institution's efforts and agenda.

Remember, you can always advocate as a private citizen, not using your title & address.

Looking Ahead: 2018

Reconciliation In the Early New Year

The House Budget Resolution included instructions to 11 committees to save a total of \$200b over the course of 10 years – through mandatory programs.

The House Education & the Workforce Committee was instructed to save \$20b/10 years.

While these instructions were not included in the final FY 18 budget resolution, there is an intention to act on early 2018 through new reconciliation instructions.

Deferred Action for Childhood Arrivals (DACA)

Legislative Solution?

- There are multiple legislative solutions in the House and Senate to the DACA challenge.
- Republican working groups have formed in both chambers, with a bipartisan group rumored to be working in the background.
- This issue is definitely in the political and legislative mix for the fall, but the timing & the path forward remain unclear at this point in time.

There are those who have threatened to shut the government down if no deal is reached by December 8.

Higher Education Reauthorization

The 115th Congress: HEA Reauthorization

Both Chairman Alexander (Senate HELP) and Chairwoman Foxx (House Ed & the Workforce) remain committed to reauthorizing the Higher Education Act this Congress.

Current, Rumored Timeline

Chairwoman Foxx (House): Introduce the bill any day now & committee markup before the end of November. Aiming for Floor consideration in December.

Chairman Alexander (Senate) is looking at early next year (Jan/Feb)

No draft bill(s) at this time are out.

The election year could factor in to the depth and breadth of the reauthorization

Keep In Mind

The House Majority has zeroed out the Teacher Quality Partnerships for years in the appropriations bill and the House repealed TQP in its reauthorization of the Elementary and Secondary Education Act.

Both the House and Senate committee leaders have talked of one grant, one loan, several payment plans as a way to make federal student financial aid more streamlined.

TEACH grants and loan forgiveness programs could be on the chopping block (as well as other programs).

You might be contacted to engage in advocacy on these programs through the AACTE Action Alerts.

Title II of the Higher Education Act : EPRA

The [Educator Preparation Reform Act](#) is a bill that has been re-introduced in multiple congresses and reauthorizes Title II of the Higher Education Act.

Senator Jack Reed (D-RI) introduced [S.1694](#) in the Senate and Representative Ruben Kihuen (D-NV) introduced [H.R. 3636](#) in the House just before August recess.

Currently we are doing targeted outreach to get Republican cosponsors on these measures.

Be sure to sign up for the [AACTE Action Alerts](#) to engage on this & other matters!

Implementation of the Every Student Succeeds Act

Department's ESSA Webpage

To stay updated on the latest that is released from the U.S. Department of Education in ESSA implementation, you can monitor the Department's [resources webpage](#).

There is a vast amount of information on the steps being undertaken by the Department, as well as what is being shared with the states.

Consolidated State Plan Resources

All the Consolidated State Plans are In!

- Find & review your state's plan here:
<https://www2.ed.gov/admins/lead/account/stateplan17/index.html>
- Consolidated State Plan FAQ:
<https://www2.ed.gov/policy/elsec/leg/essa/essastateplansfaq.pdf>

GET AT THE TABLE

Otherwise, **you** are on the menu.

Explore your state plan – even if you were not at the table, can you **now** join in and engage on the implementation of ESSA?

This is just one step of a lot of work, and of ***much*** opportunity!

Your Actions and Engagement

Your Actions Matter



November Key Advocacy Actions

Action Alerts:

Budget Deal: <http://bit.ly/RaisettheCaps>

Select Congressional Districts on EPRA cosponsorship

More To Come!

Connect with your institutional government relations staffer to be a resource for HEA reauthorization.

Sign up for [**AACTE Action Alerts**](#) if you have not and explore the [**AACTE Advocacy Center!**](#)

Resources For YOU

[Advocacy Center](#)

Advocacy Guides

AACTE Action Alerts

Blogs – [Ed Prep Matters](#)

Tweets - @AACTE, @Koolbeck

Websites on [state](#) and [federal](#) policy

Monthly Federal update [webinars](#)

Questions?



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