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Letter - Tax Changes Would Reduce Access to Higher Education

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Office of the President



Tax Changes Would Reduce Access to Higher Education

The following opinion piece was published in The Record newspaper on Dec. 3, 2017
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As Congress engages in drafting a series of changes to the tax code, I join the growing number of university leaders who have significant concerns about these proposals, because they would create insurmountable financial hurdles for college-going students and their families. Taxing higher education - an investment in our nation's future strength - to pay for reductions in other areas of the federal budget is bad public policy that would threaten economic growth and educational opportunities for generations to come.

House Republicans passed a Bill on Nov. 16 that will make it considerably more difficult for students to access a college education at private, not-for-profit institutions. The Senate Republican bill will likely follow suit with similar negative impacts. Tucked away in the fine print of the House tax reform bill is a tax on tuition reductions that universities provide to employees and graduate students, turning a valuable benefit into one that most will no longer be able to afford. In addition, both bills will tax endowment returns at private not-for-profit colleges, which will result in a significant reduction in scholarships and other financial aid, threatening access to higher education for low-income families.

At University of the Pacific, employees are offered reduced tuition for themselves, their spouse or children. We take great pride in that many Pacificans, from groundskeepers to senior managers, have taken advantage of this benefit to complete a degree or provide their children a college education. This year alone, there are 124 employees utilizing the tuition benefit program and 95 percent of those pay only 10 percent of tuition costs. Thomas Congrave is one of them. A staff member in university support services for more than 18 years, three of his six children have benefited - his daughter was first to graduate and is now a social worker and his son works locally after completing both undergraduate and graduate degrees in civil engineering. Another daughter is now studying communications as an undergraduate. For Thomas and his family, the tuition reduction is a way to ensure mobility for their children - a benefit worth more than \$325,000. But if the tax proposals take effect, it would create a new financial burden for the family that could make it cost-prohibitive to continue utilizing the benefit.

The consequences for graduate students are equally ominous. They often earn modest stipends working as teaching or research assistants, but those stipends don't cover tuition, so universities provide a tuition waiver. The House plan seeks to tax these tuition waivers, forcing graduate students into a difficult decision: incur years of debt through student loans to pay for graduate studies that would be taxed, or withdraw. This will jeopardize the opportunities for bright young minds who are conducting instruction and research that is vital to helping tackle some of our nation's most pressing issues. The negative impact on institutions' capacity to serve undergraduate students will also be profound.

The tax proposals will also undermine the partnership that institutions and philanthropic donors have long-established to provide access to higher education through endowments. Public and private universities alike use investment income from those endowments to support financial aid, academic programs, student success and retention programs, and more. Thanks to the generosity of our donors, Pacific provided more than \$8 million in donor-funded, endowed scholarships to students last year. If the proposed excise tax were adopted and applied to Pacific, the university would owe the federal government more than \$700,000 in taxes, money that would otherwise go to provide financial aid to students in need.

Access to affordable higher education is a major concern for American families. It has become a priority for public and private universities, and for donors and supporters of our institutions. Unfortunately, Congress neglects all of us with this tax plan. It is well-documented that degree attainment is critical for people to thrive in today's knowledge-based economy. Taxing higher education would result in fewer resources to provide need-based financial aid that ultimately helps middle-class and low income Americans earn a college degree. This tax plan moves the country and all of us in the wrong direction.