November 15, 2017

The Honorable Mitch McConnell
United States Senate
Washington, D.C. 20510

Dear Senator McConnell:

First, allow me to thank you for your longstanding support for the University of Louisville. Today I am writing to express my grave concerns about various provisions in the proposed Senate tax reform bill, as well as H.R. 1 (The Tax Cut and Jobs Act), that will significantly erode essential financial support for the University of Louisville, and negatively impact our students. Tax reform that will increase economic growth and provide new career opportunities for our graduates is welcome and long overdue. While we can appreciate the many choices lawmakers face when working to balance diverse interests as they craft tax reform legislation, these bills substantially impede the ability of low and middle income families to afford higher education, and are antithetical to building the highly skilled workforce America requires to grow our economy and to compete globally. The following provisions are of significant concern:

Senate bill only:

- Application of unrelated business income tax (UBIT) to non-profit entities. This proposal would tax income from name and logo royalties, and non-public research income. It would require that each unrelated enterprise be treated separately for purposes of computing tax liability. UofL estimates a new UBTI tax liability of $2.5 – 3.0 million.

Senate and House bills:

- Repeal of advance refunding bonds. In 2016, these bonds saved UofL $5.5 million. Eliminating this tax exempt bond option will further increase costs for UofL.

- Charitable Deductions. By increasing the standard deduction, there would be a dramatic decline in the number of taxpayers eligible to claim the deduction with a corresponding reduction of contributions. For 2018, the JCT estimates that 41 million donors would give $241 billion under current law. Enactment of the increased standard deduction would drop to 9 million donors giving $146 billion. Donations to UofL have become increasingly important given the sharply reduced state support for public postsecondary education.

- Excise tax on non-profit executive compensation: Unlike most provisions, this one begins with the 2017 tax year which means UofL would immediately incur an unplanned $1.75 million tax bill.

House bill only:

- Repeal the deduction for student loan interest: For the 2015-2016 academic year, 41% of UofL students had loans.

- Repeal the exclusion from income of qualified tuition reductions: This would impose a large financial burden on UofL employees and their family members who choose to pursue postsecondary education. It has the same negative impact on graduate students and teaching assistants. In the current school year, over 400 students at UofL benefited from this benefit. Additional tax burden to these students would be over $3 million.

- Repeal the exclusion from income of employer provided educational assistance: This would likely end the highly successful UPS Metropolitan College partnership with UofL which currently has about 1,000 students.

- Termination of Private Activity Bonds (PABs): Interest on newly issued PABs for non-profits would be taxable. UofL has utilized these bonds for student housing, the hospital and other projects.

- Eliminate the Lifetime Learning Credit (LLC) without additional changes to the American Opportunity Tax Credit (AOTC): LLC and AOTC work together, but do not overlap, to provide flexibility for students seeking both undergraduate and post-graduate education. Eliminating LLC would be especially detrimental to part-time and graduate students.

Adoption of any one of these provisions will be damaging to UofL, but taken as a whole, these proposed changes will be crippling. We respectfully ask that you convey our concerns to Finance Committee Chairman Hatch.

Sincerely,

Gregory C. Postel

Gregory C. Postel, M.D.
Interim President