

Office of Government & Public Affairs

August 1, 2012

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Orrin G. Hatch
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

RE: Extension of the Expired or Expiring Higher Education Tax Incentives

Dear Chairman Baucus, Chairman Camp, Ranking Member Hatch and Ranking Member Levin:

On behalf of the higher education associations listed below, I write to express our strong support for extending the American Opportunity Tax Credit (AOTC), the above-the-line deduction for qualified tuition and related expenses (tuition deduction), Employer-Provided Educational Assistance (Sec. 127) benefits, the expanded Student Loan Interest Deduction (SLID), expanded Coverdell Education Savings Accounts (ESAs), and the Individual Retirement Account (IRA) Charitable Rollover. It is essential that these tax provisions be extended this year to help make higher education accessible for millions of Americans and to ensure our nation will have the educated citizenry the future requires. While we are disappointed that the Senate Finance Committee tax extenders mark, "The Family and Business Tax Cut Certainty Act of 2012," only includes extensions of the tuition deduction and the IRA Charitable Rollover, we are pleased that the Senate took action last week to extend the AOTC, Sec. 127, expanded SLID, and expanded Coverdell ESAs.

Set to expire at the end of 2012, the AOTC significantly enhances and broadens the permanent Hope Scholarship Credit by increasing the credit from \$1,800 to \$2,500, expanding eligible expenses, making it available for four rather than only two years of college, increasing the income phase-out thresholds, and making the credit partially refundable. As a result, there has been a significant increase in the use of the AOTC across income levels, particularly for middle class students and their families. According to a recent GAO study, in 2009 more than 9 million tax filers claimed the AOTC, receiving \$16 billion in tax benefits. Almost 65 percent of these benefits went to tax filers with incomes above \$40,000.

Also expiring at the end of 2012 is Sec. 127, which allows an employer to offer an employee up to \$5,250 per year in tax-free educational assistance for undergraduate or graduate-level courses. This

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provision has been an important means of building and adding to the competencies of the work force and is a critical tool to help our nation restart its economic engine.

Also scheduled to expire this year are improvements originally made to SLID and Coverdell ESAs in the Economic Growth and Tax Relief Act of 2001. If not extended, SLID will be drastically limited by reduced income thresholds and a five-year limit, and Coverdell ESAs will revert from allowing \$2,000 to only \$500 in tax-free annual contributions.

The AOTC, Sec. 127, expanded SLID, and expanded Coverdell ESAs are critical tax benefits tailored to help students and their families pay for college. It is particularly important to extend these provisions now to help families trying to fit the cost of college within their increasingly strained budgets.

Two other tax provisions equally important to higher education—the tuition deduction and the IRA Charitable Rollover—expired at the end of 2011. The tuition deduction helps reduce the cost of college by allowing students or parents to deduct up to \$4,000 in eligible higher education expenses from their taxable income. The tuition deduction is particularly beneficial to graduate students who are ineligible for the AOTC.

The IRA Charitable Rollover permits IRA owners who are at least 70½ years old to make tax-free donations to eligible charities, including colleges and universities. Since it was first instituted in 2006, the IRA Charitable Rollover has proven to be a valuable charitable giving incentive that should be extended to help all non-profits organizations generate new or increased contributions. Its lapse impaired the ability of colleges and universities to raise charitable funds at a time when private support is increasingly important to institutions struggling to weather challenging economic times, uncertain endowment returns, and severe declines in state appropriations.

We strongly support all of these provisions and urge Congress to act swiftly to extend them this year.

Sincerely,



Terry W. Hartle
Senior Vice President

TWH/mjm

On behalf of:
American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education

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Association of American Universities

Association of Community College Trustees

Association of Public and Land-grant Universities

Council for Advancement and Support of Education

Council of Graduate Schools

National Association of College and University Business Officers

National Association of Independent Colleges and Universities

National Association of Student Financial Aid Administrators