



Talking Points on Endowment Excise Tax

- College and university endowment funds are an important source of revenue which support teaching, research, and public service missions.
- Charitable gifts are the primary source of funds for endowments. Donors typically make endowed gifts for specific purposes such as establishing student scholarships, creating professorships, instituting new programs, or constructing new facilities
- An institution's endowment is not just one single fund but a collection of thousands of individual funds, each established by donors to support a specific purpose.
- Endowments provide vital support for student aid and scholarships, helping increase access and affordability. According to the 2016 Voluntary Support of Education Survey, a plurality of restricted gifts to endowments (36 percent) went to support student financial aid.ⁱ
- While endowed funds support student financial aid, they also support other purposes that contribute to a student's educational experience, including faculty, academic programs and facilities. Endowments also fund ground-breaking research, medical technology and facilities and public service programs.
- Most college and university governing boards adopt endowment spending policies that are designed to maintain a smooth spending course while achieving intergenerational equity. Colleges and universities must have the flexibility to determine an appropriate spending rate to ensure that their endowments will continue to provide long-term, stable support for their institutions.
- The 1.4 percent endowment excise tax on college and university endowments included in the House and Senate tax reform bills would result in fewer funds for scholarships, research, faculty and academic programs. Instead of bringing down college costs, such a tax would do the opposite.
- Additionally, an endowment excise tax is a tax on the endowed charitable gifts of donors, redirecting funds away from supporting students, research and academic programs.
- We urge lawmakers to remove the endowment excise tax proposal from the House and Senate tax bills.

ⁱ 2016 Council for Aid to Education Voluntary Support of Education Survey <http://cae.org/vse-data-miner/vse-survey/>