CASE
COUNCIL FOR ADVANCEMENT
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OFFICE OF THE PRESIDENT

November 15, 2017

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
H-232 The Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Majority Leader
U.S. House of Representatives
H-107 The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
H-204 The Capitol
Washington, DC 20515

Dear Speaker Ryan and Leaders McCarthy and Pelosi,

I write to share concerns about provisions in H.R. 1, the Tax Cuts and Jobs Act, that will make it more difficult for colleges, universities and independent schools to raise and manage the private support necessary to fund student scholarships, groundbreaking research, top-notch faculty and new facilities.

For the past 100 years, U.S. tax policy, through the charitable deduction, has encouraged individuals to make philanthropic gifts to colleges, universities and independent schools. According to the Council for Aid to Education, donors contributed $41 billion to U.S. colleges and universities in 2016.[i] The charitable deduction, no doubt, provides a powerful incentive for giving.

Currently, the charitable deduction is only available to the roughly 30 percent of U.S. taxpayers who itemize their tax returns. While H.R. 1 preserves the charitable deduction, the doubling of the standard deduction in the legislation would result in only 5 percent of U.S. taxpayers choosing to itemize their tax returns. *The result would be the effective elimination of the charitable deduction for a significant portion of American taxpayers and a decline in charitable giving to educational institutions and other charitable organizations.*

This change would put billions of dollars of charitable giving at risk. A recent estimate by the Joint Committee on Taxation confirmed that doubling the standard deduction will dramatically reduce the number of taxpayers who benefit from the charitable deduction and reduce the amount of charitable gifts that taxpayers deduct by nearly $100 billion. Another recent study commissioned by Independent Sector and conducted by Indiana University's Lilly Family School of Philanthropy found that current tax reform proposals would result in a $13.1 billion decline in giving.[ii] Educational institutions and the students they serve will feel the brunt of these declines if lawmakers fail to preserve the full value of the charitable deduction.

There is a policy solution that both preserves the value of the charitable deduction and increases charitable giving. A universal -- or above-the-line -- charitable deduction would provide a charitable giving incentive to everyone by allowing all taxpayers to subtract their charitable gifts from their income before they determine whether to take the standard deduction or itemize their tax returns. A universal charitable deduction would send a message that charitable gifts from all citizens, regardless of income, are important and valued. The Independent Sector study found that the inclusion of a universal charitable deduction in tax reform would result in a $4.8 billion increase in charitable giving at a modest cost for the federal government.[iii]

Unfortunately, such a proposal was not included in H.R. 1. On behalf of the more than 3,600 educational institutions we serve, I urge House members to include a universal charitable deduction proposal in H.R. 1 to ensure that our tax policy encourages all taxpayers, regardless of income, to make charitable gifts.

Additionally, we strongly opposed the proposed 1.4 percent excise tax on certain private college and university endowments. College and university endowments are collections of hundreds or thousands of charitable funds managed and invested to serve current and future needs. Endowments are not savings accounts or rainy day funds but instead provide a steady and reliable long-term funding source in support of students, teaching, research and other programs that would otherwise have to be paid for by tuition or other funding sources.

Many endowed funds 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.[iv] Beyond student aid, endowments also support other purposes that contribute to a student's educational experience, including faculty, academic programs and facilities. Endowments also fund ground-breaking research, technology and facilities, and public service programs.

The endowment excise tax proposal in H.R. 1 amounts to taxing the endowed charitable gifts of donors, redirecting funds away from their intended charitable purposes. The result would be fewer funds for scholarships, research, faculty and academic programs. Instead of bringing down college costs, such a tax would do the opposite. We urge House members to remove the endowment excise tax from H.R. 1.

We also are concerned that H.R. 1 would double the exemption level and then fully repeal the federal estate tax after 2024. The estate tax encourages wealthy individuals to donate portions of their estate to support students, academic programs, faculty and research at colleges, universities and independent schools. According to Giving USA 2017, bequests accounted for $30.36 billion, or 8 percent, of the $390 billion given to charity in 2016.[v] Bequests are an attractive giving vehicle for donors who may possess wealth in their estate but want to ensure they have access to those assets during their life. We urge House members to preserve the federal estate tax.

Given the concerns outlined above, and our strong belief that tax policy should encourage everyone to give generously to educational institutions and other charitable organizations, CASE cannot support H.R. 1. We stand ready to work with you to address our concerns so that tax reform legislation strengthens the ability of educational institutions to raise and manage the private support needed to support their vital missions.

Sincerely,

Sue Cunningham

Sue Cunningham
President and CEO

About CASE: The Council for Advancement and Support of Education is the professional organization for advancement professionals who work in alumni relations, communications, fundraising, marketing and related areas. CASE's membership includes more than 3,600 colleges, universities, independent elementary and secondary schools, and educational associates in 82 countries around the world. CASE helps its members build stronger relationships with their alumni and donors, raise funds for campus projects, produce recruitment materials, market their institutions to prospective students, diversify the profession, and foster public support of education.

[i] 2016 Council for Aid to Education Voluntary Support of Education Survey, http://cae.org/images/uploads/pdf/VSE-2016-Press-Release.pdf.

[ii] *Tax Policy and Charitable Giving,* Independent Sector and Indiana University's Lilly Family School of Philanthropy, May 2017 http://www.independentsector.org/wp-content/uploads/2017/05/tax-policy-charitable-giving-finalmay2017-1.pdf

[iii] The Independent Sector study (referenced above) found that increased charitable giving would slightly exceed the cost to the government in tax revenue if taxpayer responsiveness to the incentive is high. If taxpayer responsiveness is moderate or low, the revenue cost would be $5.4 billion and $10.8 billion respectively.

[iv] 2016 Council for Aid to Education Voluntary Support of Education Survey http://cae.org/vse-data-miner/vse-survey/

[v] Giving USA 2017 https://givingusa.org/