COUNCIL OF GRADUATE SCHOOLS

ISSUE BRIEF
Tax Policy – Education Related Provisions

Tax code reform is a high priority for the 115th Congress. Simplification is a worthy goal, however a number of changes that have been proposed to the tax code in the past could have a negative impact on how graduate students finance their education. These include proposals that would repeal the Lifetime Learning Credit and eliminate the deduction for interest paid on student loans. Coupled with congressional actions outside of tax reform that have been made over the last decade, these changes would require master's and doctoral students to pay an even higher price for the education decisions and choices they make to acquire advanced knowledge and skills. This knowledge is becoming ever more necessary in an increasing number of high-demand fields and careers. To remain competitive in a global economy, the U.S. cannot afford to discourage talented individuals from pursuing graduate education.

So that students from diverse economic and demographic backgrounds have access to high quality, affordable graduate education, CGS recommends the following principles regarding Federal education tax policy:

Maintain access for graduate students to use education tax credits for qualified expenses related to tuition and fees.

Maintain or extend the Student Loan Interest Deduction (SLID) for interest paid on student loans, and for qualified tuition and related expenses.

- Subsidized federal student loans are no longer available to graduate students. They either pay the interest on their loans immediately or allow the interest to accrue, which only increases their debt.
- Graduate students pay higher interest rates for their loans. Removing the ability to deduct their interest payment and qualified tuition and related expenses only increases their debt.
- With income based repayment strategies that extend repayment periods for graduate students, elimination of SLID only adds to their debt.

Retain section 117(d) in the tax code which excludes tuition waivers and remissions from overall tax burden.

- About one out of four students (24.4%) pursuing doctoral degrees in the Academic Year 2011-12 received institutional tuition and fee waivers, the average amount being $12,645.90. In addition, 6.2% of Master's degree seeking students also received institutional tuition and fee waivers, the average amount being $6,510.80 in the Academic Year 2011-12. Eliminating this provision would increase graduate students' tax liability on "income" they never see.
- Stipends or salaries earned for teaching assistantships or research assistantships would remain unaffected by the proposal.

Expand what constitutes employer provided tax-exempt educational assistance under the Internal Revenue Code Section 127, to include student loan repayment assistance.

Provide tax credit incentives for low- and moderate-income individuals to contribute to 529 education savings accounts, and allow for employer tax credits for matching these contributions.