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HOUSE GOP PLAN WOULD AFFECT TAX BREAKS FOR HIGHER EDUCATION

It would boost one popular tax break but end two others and the deduction for student-loan interest

By Josh Mitchell
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The House Republicans' tax plan would affect benefits for Americans who enroll in higher education, boosting a popular tax break, eliminating two others and repealing a deduction for student-loan interest.

The plan also calls for taxing large endowments of private universities, which have faced criticism in recent years after a run-up in tuition.

It wasn't immediately clear how the GOP plan would affect individual students. Overall, the plan calls for about \$65 billion less in tax benefits for postsecondary students and borrowers over the next decade, according to the Joint Committee on Taxation. But many of those taxpayers would benefit from broader provisions of the plan, including a near-doubling of the individual standard deduction.

The tax plan, released Thursday, would increase aid available under the American Opportunity Tax Credit, or AOTC, which helps defray such higher-education costs as tuition, fees and course materials. Currently, students can collect a credit of up to \$2,500 a year – or an annual tax refund of up to \$1,000 – for a maximum of four years while enrolled in a degree or certificate program. The GOP plan would maintain that benefit while providing a fifth-year credit of up to \$1,250, or a maximum refund of \$500.

The GOP plan would eliminate two other credits for students, the Hope Scholarship Credit and the Lifetime Learning Credit, that cover similar expenses.

The changes, which would take effect in 2018, would "simplify" tax benefits for students by "consolidating three similar but not identical tax breaks," according to an analysis released by House Ways and Means Chairman Kevin Brady (R., Texas).

The biggest effect would likely be less aid for graduate students, said Jason Delisle of the American Enterprise Institute, a conservative think tank. Grad students are the most likely to use the Lifetime Learning Credit, which provides up to \$2,000 a year with no limit on how many years it can be claimed.

The GOP plan would also prevent Americans from deducting from taxable income the interest paid on student loans. Currently, borrowers with a modified gross income of \$65,000, or \$135,000 for couples, can deduct up to \$2,500 a year in student-loan interest. The benefit saves borrowers \$202 a year, on average, according to an American Enterprise Institute analysis of federal data.

The GOP plan also would not restore a recently expired provision that allowed taxpayers to deduct up to \$4,000 a year in tuition and related expenses, if they earned less than \$65,000 in adjusted gross income. And it would repeal certain workplace benefits related to higher education, such as the ability to exclude from income up to \$5,250 per year in employer-provided education assistance.

Separately, the GOP plan calls for taxing large endowments of private universities. A 1.4 percent excise tax on net investment income would be applied to private colleges or universities with at least 500 students and assets of at least \$100,000 per full-time student.