



Graduate School
UNIVERSITY OF WISCONSIN-MADISON

November 10, 2017

Dear graduate students, faculty, staff, and deans,

By now you have heard in early mockups of H.R. 1 The Tax Cut and Jobs Act, there is language that would eliminate a section of current IRS code exempting tuition remission for graduate students as taxable income. Below you will find a variety of resources with information about the proposed language. The University of Wisconsin-Madison Office of Federal Relations is aware of the provision and has been in contact with Wisconsin's congressional delegation to communicate the following adverse effects of the proposal:

Eliminating Section 117(d) would skyrocket students' taxable income and damage the nation's scientific research enterprise.

Section 117(d) contains two benefits we strongly urge Congress to retain.

- Section 117(d) allows colleges and universities to provide their employees and their spouses or dependents with tuition reductions for undergraduate education that are excluded from taxable income.

Under the Internal Revenue Code, if an institution chooses to offer tuition discounts to employees, spouses, and their dependents, then all employees must be eligible. The provision benefits a range of employees, including administrative staff, maintenance and janitorial staff, and faculty. According to a 2017 survey conducted by the College and University Professional Association for Human Resources, the majority of employees benefitting from the provision are low and middle income. Fifty percent of recipients of tuition reductions earned \$50,000 or less and 78 percent earned \$75,000 or less. If Section 117 were repealed, taxable income would increase sharply for those receiving tuition benefits thus providing a disincentive for employees to utilize the benefit and advance their career and life prospects.

- Section 117(d)(5) allows colleges and universities to lower the cost of graduate education for their graduate students who are serving as teaching or research assistants as part of their academic training without the tuition reductions counting as taxable income.

Public universities often support graduate students serving essential roles in our nation's research enterprise with tuition assistance. According to the most recent Department of Education data available, in 2011-12, nearly 55 percent of all graduate students had adjusted gross incomes of \$20,000 or less and nearly 87 percent had incomes of \$50,000 or less. During the same period, master's degree students received an average of \$10,949 and Ph.D. students received an average of \$13,609 in tuition waivers for serving as research and teaching assistants. A repeal of Section 117(d)(5) would lead to a

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completely unaffordable increase in taxable income and make the pursuit of a graduate degree much more challenging, if not impossible, for a large number of these students. In turn, this would greatly damage our nation's scientific research enterprise. Section 117(d)(5) is critical for developing the science and technology workforce pipeline that employers need to propel our nation's economy forward.

A number of national organizations including the Association of American Universities (AAU), Association of Public and Land-grant Universities (APLU), American Council on Education (ACE) and the Council of Graduate Schools (CGS) as well as numerous disciplinary societies have also issued statements on the negative impact of the proposed tax law changes for graduate students and the national research enterprise.

Here is a link provided by the UW-Madison Office of Federal Relations to a draft letter developed by ACE to assist graduate students and others to engage with Congress:

<https://www2.acenet.edu/actioncenter/?vsrc=%2fcampaigns%2f55189%2frespond>

CGS has prepared a suite of informational tools: <http://cgsnet.org/tax-reform-resources>

The letter sent by APLU to the House Ways and Means Committee leadership can be found here: <http://www.aplu.org/news-and-media/News/public-research-universities-detail-deep-concerns-over-tax-bill>

The Graduate School will continue to work with the Office of Federal Relations and update our website, <https://grad.wisc.edu/>, as new information becomes available.

All the best,



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