

Graduate Students & The “Tax Cuts and Jobs Act”: What You Need to Know



A Resource Guide

3 November 2017

Introduction

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To those concerned about the future of graduate education in the United States,

Yesterday afternoon the House Republicans published their long awaited proposal to reshape the United States tax system. That draft, entitled the “Tax Cuts and Jobs Act,” is an attempt to reorient the American tax code. Among other things, it lowers the corporate tax rate to 20%. It reduces the State and Local Tax deduction. It eliminates the write-off for medical expenses. And it wipes away critical tax benefits that support graduate students. The SAGE Coalition and its constituent bodies oppose in all forms any attempt to increase graduate students’ tax burden.

Alarmingly, the “Tax Cuts and Jobs Act” eliminates section 117(d) from the IRS code. While this may seem innocuous, section 117(d) exempts tuition waivers from taxable income. At many schools waivers exceed stipends. Lifting the exemption has the potential to push graduate students into higher tax brackets. Taxing these waivers puts an undue burden on graduate students, especially because those funds never actually enters students’ bank accounts.

The “Tax Cuts and Jobs Act” also repeals section 127, which allows for tax free employer paid education assistance. Many graduate students can only afford to conduct their work because their employer provide funds. Terminating section 127 would reduce incentives for employers to seek continuing education for their employees, for the employees to pursue that education, and force thousands of graduate students nationally to choose between taking on perilous levels of debt or abandoning their education.

Furthermore, the “Tax Cuts and Jobs Act” strikes the Student Loan Interest Deduction from the code. Graduate students make up 14% of the student population in the United States, but carry 40% of the debt load. Terminating this deduction would strain the finances of individuals and families. Increasing the costs these individuals experience early on will reduce their ability to contribute positively to the nation’s economy in the future.

Additionally, the “Tax Cuts and Jobs Act” consolidates the American Opportunity Tax Credit with a five year limit. The tax bill also eliminates the Lifetime Learning Credit. Both of these are programs non-traditional students often rely on to ease the financial burdens of education. Removing them from the tax code will reduce education access.

What does all this mean for graduate students? If passed as it currently stands, the “Tax Cuts and Jobs Act” would be disastrous for both graduate students and higher education as a whole. The Student Advocates for Graduate Education (SAGE) Coalition, their partner organizations, universities, and their constituent graduate student governments are doing everything in their power to block these proposed changes to the tax code from taking effect. We, however, need your help.

Legislators need to hear from YOU about how these changes will impact your life. To aid in this effort, SAGE compiled the contents of this packet to assist those interested in opposing this bill. It contains a summary of the “Tax Cuts and Jobs Act’s” impact on graduate students, information on how to reach out to and share your opinion on the proposed legislation with legislators, a sample call script and email template, and a set of policy papers produced by SAGE, as well as the Council of Graduate Schools, on the current state of graduate finances and projections on how these changes could affect you.

The authors of the “Tax Cuts and Jobs Act” know the benefits of their bill. They are also aware of who will bear the costs. They are counting on the indifference of graduate students, their friends, families and allies to ease the bill’s passage into law. If passed, the “Tax Cuts and Jobs Act” will cost each graduate student thousands of dollars a year. SAGE has a day of action scheduled for 6 Nov., the day mark up on the bill begins. We hope you will join us in contacting legislators on that date.

Can’t call in then? No problem. Call and email early and often. Only a consistent stream of messaging will help defeat these dangerous changes to the tax code.

As always, we are a resource for you. If you have questions about how the passage of the “Tax Cuts and Jobs Act” or any other legislation will change the lives of graduate students, we are available via email at sagecoalition@gmail.com and on twitter @SAGECoalition. You can also find SAGE’s current and past legislative agendas at our website, sagecoalition.net.



Zachary S. Kopin
Chair
Student Advocates for Graduate
Education

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What is SAGE?

Student Advocates for Graduate Education (SAGE) is a coalition of Graduate Student Organizations from leading U.S. public research universities who are committed to improving the quality of graduate student life at their own campuses, and promoting access, quality, and opportunity for graduate and professional students at the federal level.

Action Alert

Summary

This Action Alert requests that SAGE members and their institutions email or call their representatives in Congress starting on 6 Nov. to preserve tax credits that currently exist and benefit graduate students. Instructions on whom to contact and how to do so are provided along with sample communications.

Background

The Trump administration's proposed framework aims to "retain benefits" relating to higher education, while also encouraging Congress to "simplify these benefits to improve their efficiency and effectiveness." Many Congressional Republicans are supportive of this framework and this effort. Unfortunately, the simplification encouraged by the Trump administration is proving harmful for graduate students and graduate education, as evidenced by the proposed legislation.

The proposed tax reform legislation was released Thursday, November 2nd, 2017. Multiple tax credits that benefit graduate students are up for elimination. These credits include: Section 117(d), which makes tuition waivers for graduate students and children of professors at universities tax-free; the Lifetime Learning Credit; the American Opportunity Tax Credit; the FICA tax credit; and Section 127, which provides employer education assistance credits. More specific information on these suggested tax credit eliminations can be found [here](#).

Congressional Republicans want the passage of this plan before or soon after Christmas, if not as soon as Thanksgiving. We have to act quickly and with close partners to compel Congress to maintain these beneficial credits. In addition to contacting Congress, we recommend contacting your graduate education dean. The Council of Graduate Schools and the American Council on Education are extremely supportive of this effort to preserve these credits. The more universities that speak out against reforms that eliminate these credits, the better the chances are to preserve them.

How to Help

This packet contains a template email for you to customize and send to your representatives using their contact forms; you can find your representatives' contact information [with our Contacting Congress webform](#). For your convenience, we also have included the contact information of some relevant legislators below:

1. [Get your Zip+4](#) if you don't have it (for email contact forms).
2. [Find your representatives'](#) contact information.
3. Check if any of your representatives are on the budget conference committee, then edit email or call scripts accordingly.
4. Either...
 1. customize the sample email below and submit via the contact forms linked from your Contacting Congress results, or
 2. customize the relevant sample phone script below and call each of your representatives using the phone numbers listed in your Contacting Congress results.

It is *crucial* that you customize your message. According to the [Congress Foundation's 2011 study on how Congress members respond to communications](#), individualized messages and phone calls are about an order of magnitude more influential than form emails (see their fig. 2).

You may also wish to tweet to your representatives. Generally, members will have links on their websites if they are active on Twitter. When you tweet, we recommend you use the hashtags #XXXXXXX to tie into existing campaigns by local coalitions and membership organizations with similar goals. Make sure you add @SAGECoalition to your tweets!

Remember legislators need to hear your stories. Anecdotes, not statistics, change minds.

Relevant Legislators

House Ways and Means Committee

Republicans (Majority)

- **Rep. Kevin Brady (TX-8), House Ways and Means Committee, Chair**
- Mike Bishop (MI-8)
- Sam Johnson (TX-3)
- Devin Nunes (CA-22)
- Pat Tiberi (OH-12)
- Dave Reichert (WA-8)
- Peter Roskam (IL-6)
- Erik Paulsen (MN-3)
- Kenny Marchant (TX-24)
- Tom Reed, II (NY-23)
- Jim Renacci, CPA (OH-16)
- Pat Meehan (PA-7)
- George Holding (NC-2)
- David Schweikert (AZ-6)

Democrats (Minority)

- **Rep. Richard Neal (MA-1), House Ways and Means Committee, Ranking Member**
- Sander Levin (MI-9)
- Lloyd Alton Dogget, II (TX-35)
- Mike Thompson (CA-5)
- Ron Kind (WI-3)
- Bill Pascrell, Jr. (NJ-9)
- Joe Crowley (NY-14)
- Danny Davis (IL-7)
- Linda Sanchez (CA-38)
- Brian Higgins (NY-26)
- Suzan DelBene (WA-1)
- Dr. Judy Chu, PhD (CA-27)

Senate Finance Committee

Republicans (Majority)

- **Sen. Orrin Hatch (R-UT), Chair**
- Sen. John Cornyn (R-TX)
- Sen. Richard Burr (R-NC)
- Sen. Rob Portman (R-OH)
- Sen. Patrick Toomey (R-PA)

Democrats (Minority)

- **Sen. Ron Wyden (D-OR), Ranking Member**
- Debbie Stabenow (D-MI)
- Maria Cantwell (D-WA)
- Robert Menendez (D-NJ)
- Sherrod Brown (D-OH)
- Robert Casey, Jr. (D-PA)
- Mark Warner (D-VA)

Leadership and Other Relevant Legislators

House Republicans (Majority)

- Rep. Paul Ryan (WI-1), Speaker of the House

House Democrats (Minority)

- Rep. Nancy Pelosi (CA-12), House Minority Leader

Senate Republicans (Majority)

- Sen. Mitch McConnell (R-KY), Senate Majority Leader

Senate Democrats (Minority)

- Sen. Chuck Schumer (D-NY), Senate Minority Leader
- Sen. Patty Murray (D-WA), Senate Assistant Minority Leader

Email Template

Draft SAGE Email to send to Representative **[EDIT BEFORE SENDING]**

Dear Senator/Representative X,

My name is *[YOUR NAME]*, and I am graduate/professional student at *[Institution]* in *[City, State]* and a constituent of *[Sen/Rep. Congressperson]*. I am contacting you in regard to the tax reform bill that was released on November 2nd, 2017. As a graduate/professional student, I am asking that you oppose this legislation because of the removal of Section 117(d) of the tax code and other tax credits that benefit graduate/professional students and education.

These tax credits offer additional financial assistance for graduate/professional students, who already face tuition rates significantly higher than undergraduate students. Additionally, because loan options for graduate/professional students are far more limited than for undergraduates and have higher interest rates, these tax credits allow graduate/professional students easing of financial burdens that we cannot easily avoid.

[Personalized story of how issue impacts you].

Removing these tax credits vastly increases the financial burden for graduate/professional education. Allowing these removals will discourage more graduate/professional students in the future at a time when so many jobs in our country require specialized training that is provided by these programs.

If you have any questions about the effects of tax credits on graduate/professional students or if I can be of any further help to you in the future, please do not hesitate to contact me. I am happy to help you in whatever way I can.

Thank you for your time.
Sincerely,

[Your name]

Phone Scripts

Below we have two sample call-in scripts. One is for main players: these are legislators on the relevant committees (see pg. 5-6). The other is for congress people who represent you. Both need to hear how these changes to the tax code will impact you.

Sample Phone Call to Main Player in Issue

STAFFER: Hello, Senator Murray's office, can I help you?

GRAD STUDENT: Yes, I would like to speak with a staffer responsible for higher education issues/tax policy.

STAFFER: OK, I will see if they are in right now. <pause> They can speak with you now [note; you may get voicemail, leave same message as the next bit of conversation]

SCI. STAFFER: Hello, I'm [staff name] and I'm responsible for higher education issues/tax policy... How can I help you?

GRAD STUDENT: Hi, my name is *[YOUR NAME]* and I am a graduate/professional student at *[YOUR INSTITUTION]*, and a constituent of Senator Murray's. I am calling to ask Senator Murray to oppose the tax reform legislation recently introduced.

As the legislation currently stands, tax credits that are beneficial to graduate/professional students and that ease our financial burden will be discontinued, forcing us to be subject to taxes that we cannot afford. In order to maintain the financial integrity of graduate/professional students and the affordability of our programs, I urge the Senator to oppose the removal of these tax credits in this legislation. Graduate/professional students cannot sustain these changes.

SCI. STAFFER: Thank you for your message, I'll let the Senator know your point of view.

GRAD STUDENT: Thank you so much. If I can ever be of help to Senator Murray, please let me know. I am happy to help however I can.

Sample Phone Call to Your Legislator:

STAFFER: Hello, Congressman Hurt's office, can I help you?

GRAD STUDENT: Yes, I would like to speak with a staffer about higher education issues/tax policy.

STAFFER: OK, I will see if they are in right now. <pause> He can speak with you now [note; you may get voice mail, leave same message as the next bit of conversation]

SCI. STAFFER: Hello, I'm [staff name] and I'm responsible for [issue]... How can I help you?

GRAD STUDENT: Hi, my name is *[YOUR NAME]* and I am a graduate/professional student at *[YOUR INSTITUTION]*, and a constituent of Senator Murray's. I am calling to ask Senator Murray to oppose the tax reform legislation recently introduced.

As the legislation currently stands, tax credits that are beneficial to graduate/professional students and that ease our financial burden will be discontinued, forcing us to be subject to taxes that we cannot afford. In order to maintain the financial integrity of graduate/professional students and the affordability of our programs, I urge the Senator to oppose the removal of these tax credits in this legislation. Graduate/professional students cannot sustain these changes.

SCI. STAFFER: Thank you for your message, I'll let the Congressman know your point of view.

GRAD STUDENT: Thanks so much. If I can ever be of help to Congressman Hurt, please let me know. I am happy to help however I can.

Sample Tweets

.@pattymurray @SAGECoalition

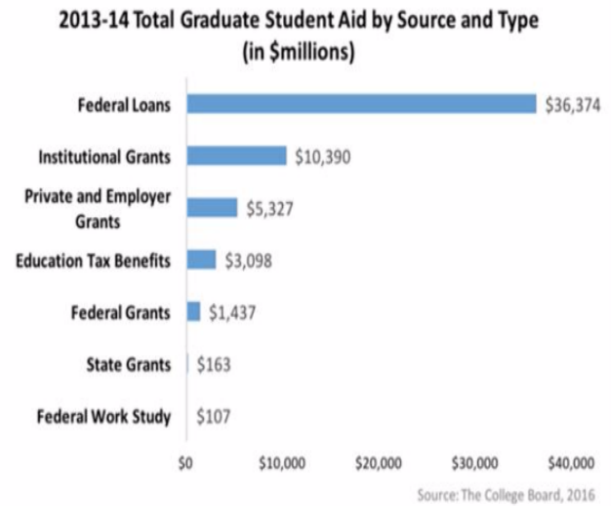
.@RepRonBarber @SAGECoalition

Graduate Student Debt: Crippling Future Leaders

Support and Maintain Graduate Student Education Funding and Repayment Options

Graduate students across the country are integral in building and advancing America's future. They perform research on gene therapy and cure viral infections, train to become surgeons, discover the history of the Earth, and develop innovative technologies. Instead of encouraging students to pursue advanced degrees, inequities in the student loan system create disincentives to further education.

The Bureau of Labor Statistics predicts that about one million new jobs will require advanced degrees by 2022, yet the financial barriers of graduate education are too steep for many to climb. Federal support to assist graduate students and their families in mitigating the severe debt incurred by higher education will ensure graduate students enjoy financial stability while preparing for their careers and allow greater advancement in their work and research.



Reinstate Equitable Loan Access

As of 2014, the average student loan debt of graduate students is \$57,600¹. This number varies greatly by the field. Doctoral degrees in psychology can result in debt upwards of \$200,000². Though graduate and professional students make up just 14% of the total student population in higher education, they hold 40% of student debt³.

The inequities in student debt funding exacerbate this problem. Graduate students are not eligible for subsidized Stafford loans and the graduate student loan interest rates are between 1.55% and 2.55%, higher than interest rates for undergraduate student loans. PLUS loan interest rates, which are only available for graduate and professional students, are at risk of increasing to 9.5% and 10.5%⁴. The Congressional Budget Office projects these loan changes will generate revenue that is not reallocated back to graduate student education funding⁵. This raise only increases the debt burden for graduate and professional students.

SAGE recommends:

- Restore subsidized Stafford loans for graduate and professional students
- Lower current and capped interest rates on Graduate Student PLUS loans

Support Repayment Options

As of 2012, roughly one in ten borrowers have over \$150,000 in total student debt⁶. Resources exist to ease this burden, though, such as the Income-Driven Repayment (IDR) program, the Pay As You Earn (PAYE) program, and the Revised Pay As You Earn (REPAYE) program. Despite higher interest rates, Graduate PLUS loans are often the only option for students to attend school. These programs are essential to helping ease the debt burden for graduate students and must be maintained.

SAGE recommends:

- Protect and promote the existence of loan repayment plans, including IDR, PAYE, and REPAYE

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.

Tax Reform Examples: Tuition Waivers and Remission and LLTC Changes

*About one out of four students (24.4%) pursuing Doctor's degree-research/scholarship in the Academic Year 2011-12 received institutional tuition and fee waivers with the average amount of \$12,645.90. In addition, 6.2% of Master's degree seeking students also received institutional tuition and fee waivers with the average amount of \$6,510.80 in the Academic Year 2011-12. **Eliminating this provision would increase tax liability for graduate students on "income" they never see.***

Some hypothetical examples that illustrate the **potential impact on tax liability for master's and doctoral students**:

- **Example #1 – Jane, a doctoral degree student at a private, not-for-profit institution had a \$30,500 fellowship and was also credited with \$18,500 as a tuition/fee waiver.**
 - o *Under the current law:*
 - In 2012, Jane's tax liability would have been \$24,550 and she would have paid \$3,247.50 in federal income tax.
 - o *If tuition waivers are considered as taxable income and LLTC is not available:*
 - Jane's tax liability would **increase** to \$43,050, despite the fact she would still take home the same amount of money, and she would have to pay \$6,492.50 in federal income tax, or 21% of her fellowship.
 - Effectively, Jane's federal income tax would **increase by 100%, or \$3,245.**
- **Example #2 – Jose, a doctoral degree student at a public institution had a \$14,500 fellowship and was also credited with \$9,500 as a tuition/fee waiver.**
 - o *Under the current law:*
 - In 2012, Jose's tax liability would have been \$8,550 and he would have paid \$847.50 in federal income tax.
 - o *If tuition waivers are considered as taxable income and LLTC is not available:*
 - Jose's tax liability would **increase** to \$18,050, despite the fact he would still take home the same amount of money, and he would have to pay \$2,272.50 in federal income tax, or 16% of his fellowship.
 - Effectively, Jose's federal income tax would **increase by 168%, or \$1,425.**
- **Example #3 – Mary, a master's degree student at a public institution had a \$7,000 stipend and was also credited with \$6,500 as a tuition/fee waiver.**
 - o *Under the current law:*
 - In 2012, Mary's tax liability would have been \$1,050 and she would have paid \$105 in federal income tax.
 - o *If tuition waivers are considered as taxable income and LLTC is not available:*
 - Mary's tax liability would **increase** to \$7,550, despite the fact she would still take home the same amount of money, and she would have to pay \$755 in federal income tax, or 11% of her stipend.
 - Effectively, Mary's federal income tax would **increase by 619%, or \$650.**

NOTE: These examples are based on the 2012 tax rules with a standard deduction of \$5,950, and assume that each individual filed as a single with no source of income other than the financial awards in the examples.