

James R. Johnsen, Ed.D.

President

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November 21, 2017

The Honorable Lisa Murkowski
United States Senate
525 Hart Senate Office Building
Washington, DC 20510

The Honorable Dan Sullivan
United States Senate
702 Hart Senate Office Building
Washington, DC 20510

The Honorable Don Young
United States House of Representatives
2314 Rayburn House Office Building
Washington, DC 20515

Dear Senator Murkowski, Senator Sullivan and Congressman Young:

I'm writing to express my deep concerns about several provisions of the federal tax proposal currently under consideration by Congress.

I recognize the difficult challenge you face in trying to reform and modernize our nation's tax code, and understand the need to balance competing priorities. I also fully appreciate the unique opportunity the current budget reconciliation process presents with regard to ending the moratorium on oil and gas development in the 1002 Area of the Arctic National Wildlife Refuge. The long-term economic benefits to Alaska of that change cannot be overstated. However, on Thursday the House passed H.R. 1, the Tax Cuts and Jobs Act, which eliminates several important tax benefits designed to off-set the costs of higher education. Collectively, these changes will have far-reaching consequences for educational attainment in Alaska and impede our efforts to develop the highly-skilled workforce we need to move Alaska's economy forward.

Alaska has one of the lowest college going rates in the nation, even though by 2025, 65 percent of all jobs in the state will require some form of post-secondary education. The University of Alaska has launched a number of strategic initiatives to help address this gap and to grow and diversify Alaska's economy. In today's environment of increasing college costs and rising levels of student debt, we should be doing everything possible to help Alaskans improve their skills and become more competitive in the marketplace.

While the House legislation has raised a number of concerns within the higher-education community, I will focus on those specific provisions that I believe will most negatively impact Alaskan students and their families. These include provisions that would repeal the student loan interest deduction, tax employer-provided tuition assistance, eliminate the university's ability to provide employees and graduate-level teaching and research assistants with non-taxable tuition waivers, and eliminate the Lifetime Learning Credit.

Student Loan Interest Deduction

As in other states, the majority of Alaskans borrow money to help fund their education. Under existing law, individuals can deduct annually up to \$2,500 of the interest they pay on these student loans. The House bill repeals this provision, eliminating a critical benefit for students and families of modest means. Lower and middle income students are much more likely to be deterred from seeking more education as affordability declines and long-term financing costs increase.

Employer Provided Tuition Assistance

Current law allows employers to offer their employees up to \$5,250 annually in tuition assistance. This assistance is not treated as taxable income to the employee. The House bill revokes this important tuition benefit, which is helping to narrow the gap between the skills of Alaska's current workforce and industry needs. Alaskan businesses have a vested interest in improving access to higher education as they look to hire employees with critical analytical, communications, and problem-solving skills, particularly in science, technology and engineering fields. Without a well-trained resident workforce, these businesses will look outside to fill their best paying and highest skilled jobs.

University Employee Tuition Assistance

Currently, the university has the ability to provide tuition waivers to its employees, their spouses and dependents. This is an effective recruitment and retention tool that helps our employees improve their business skills, and enriches the educational experience for all of our students. Annually, 2,500 individuals have availed themselves of this benefit by enrolling in over 9,500 courses. The House proposal would require our employees to pay tax on the value of this non-cash tuition benefit, estimated to be approximately \$4.5 million. Not only does this diminish the value of an important benefit, but it potentially denies our employees and their families access to valuable personal and professional development opportunities.

Graduate-Level Tuition Assistance

The House bill eliminates a provision that allows universities to provide tuition assistance to graduate-level teaching and research assistants. Many UA graduate students are teaching and conducting research as part of their academic program. These students help drive discovery, innovation, and scientific advancement particularly in science, technology and engineering fields. UA recognizes the value of their contribution by reducing or waiving their tuition. Annually, these graduate assistantships represent about \$5.4 million in tuition value. If this non-cash benefit were taxed as income as H.R. 1 proposes, graduate education may become unattainable for many of these students and Alaska loses the benefit of their contributions.

Lifetime Learning Credit

The House proposal eliminates the Lifetime Learning Credit in favor of a somewhat enhanced American Opportunity Tax Credit (AOTC). Unfortunately, the AOTC benefit phases out after five years, adversely impacting part-time students, graduate students, lifelong learners, and others who for legitimate reason need longer than five years to complete their training or degree. Under the

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House bill, non-traditional students—our fastest growing student segment—would lose important tax benefits that help make higher education possible.

Historically, these tax provisions have encouraged participation in postsecondary education and helped make college more affordable. H.R. 1 potentially does the opposite, by raising taxes on students who are trying to increase their knowledge, improve their employability, and contribute to our state's economy. If enacted in its current form, I believe it could seriously undermine our ability to properly prepare Alaskans for future success.

The Senate Finance Committee bill preserves each of the tax provisions outlined above. As the legislative process proceeds, I urge you to continue to protect these important higher education provisions and to work towards a comprehensive tax proposal that provides Americans tax relief without impeding college access or decreasing affordability.

Respectfully,

A handwritten signature in black ink that reads "James R. Johnsen". The signature is written in a cursive, flowing style.

James R. Johnsen, President
University of Alaska

cc: Alaska Governor Bill Walker