ASSOCIATION OF PUBLIC & LAND-GRANT UNIVERSITIES

Preliminary Tax Priorities 119th Congress

The tax code has significant implications for public research universities and those they serve, from making higher education more affordable for students and families, incentives to promote charitable giving to further institutions' educational and research missions, to access to low-cost capital to support infrastructure investments. There are a number of improvements that can be made to further the ability of public research universities to advance their mission and deliver substantial economic and social returns to the nation.

Public research universities are vital ladders of economic mobility and engines of economic growth. They provide the most affordable path to the middle class and beyond through a life-changing education that lifts graduates' economic prospects, improves their productivity as workers, and increases their involvement in their communities through volunteering and civic leadership. Through their pathbreaking research, public universities are also major drivers of innovation and job creation. Public universities are tackling some of the most urgent challenges facing society – from working to cure debilitating diseases to driving breakthroughs in clean energy and agricultural production to pioneering new technologies that enhance quality of life.

Below are APLU's preliminary tax priorities for the 119th Congress.

Expanding and Improving Student Higher Education Tax Credits

TAX-FREE PELL GRANT

Under current law, Pell Grant funds used for non-tuition costs like room and board are considered taxable income. At the same time, the American Opportunity Tax Credit (AOTC) requires tax filers to deduct their Pell Grant from AOTC eligible expenses, such as tuition, fees, and course materials. As a result, many of the lowest income students are unable to take full advantage of the AOTC. Fixing the AOTC-Pell interaction by repealing the taxability of Pell Grants increases affordability for many low-income students.

About APLU: APLU is a membership organization that fosters a community of university leaders collectively working to advance the mission of public research universities. The association's U.S membership consists of more than 230 public research universities, land-grant institutions, state university systems, and affiliated organizations spanning across all 50 states, the District of Columbia, and six U.S. territories.

The association and its members collectively focus on increasing access, equity, completion, and workforce readiness; promoting pathbreaking scientific research; and bolstering economic and community engagement. Annually, its U.S. member campuses enroll 4.5 million undergraduates and 1.3 million graduate students, award 1.3 million degrees, employ 1.2 million faculty and staff, and conduct $48.5 billion in university-based research.

Updated: October 17, 2024

- APLU Supports **H.R. 3000**/ **S.2920** **– Tax Free Pell Grant Act**
  118th Congress
  The bill would make Pell Grants tax-free and enable many more students to take full advantage of the American Opportunity Tax Credit.

AMERICAN OPPORTUNITY TAX CREDIT / LIFETIME LEARNING CREDIT

The tax code contains several provisions that help students and families pay for college, including the American Opportunity Tax Credit (AOTC) and the Lifelong Learning Credit (LLC). The AOTC provides a 100 percent credit up to $2,000 spent on qualified education expenses (along with an additional 25 percent credit for the next $2,000 in expenses) for an eligible student for their first four years of college. The LLC provides a 20 percent credit for the first $10,000 spent on qualified educational expenses for a given year, with no limit on the number of years it can be claimed.

These tax credits have played a growing role in helping low- and middle-income students and families finance higher education. APLU supports legislation to expand these tax credits further.

EMPLOYER-PROVIDED EDUCATION BENEFITS

Section 127 allows employees to receive up to $5,250 in tax-free educational assistance from their employer, such as tuition or student loan assistance, incentivizing employees to take advantage of existing benefits without any tax penalty. This provision permitting student loan assistance is set to expire on January 1, 2026 and should be extended. The benefit creates positive incentives for employers to invest in the development of their employees and thus also furthering the competitiveness of the nation’s workforce.

- APLU Supports **H.R. 9164**/**S. 4778** – **Employer Participation in Repayment Act**
  118th Congress
  This bill would permanently extend Section 127 of the Internal Revenue Code.

Increasing Incentives for Charitable Giving

UNIVERSAL CHARITABLE GIVING CREDIT

Since 1917, the federal charitable tax deduction has provided an incentive for donations to nonprofit organizations, but only for those taxpayers who itemize their returns. Expanding this deduction to all taxpayers would encourage all Americans to donate, helping charitable organizations including public colleges and universities, serve their states, communities, and the nation.

- APLU Supports **H.R. 1081** **- Charitable Giving Tax Deduction Act**
  117th Congress, not yet reintroduced
  This bill would make the charitable deduction available to all taxpayers to create a tax incentive for every American to give.

Extending Access to Low-Cost Capital

ADVANCE REFUNDING

Much like homeowners refinance their mortgages to take advantage of lower interest rates, advance refunding enabled municipal bond holders to refinance bonds to more favorable terms. This tool generated substantial savings for public universities by reducing the interest payments made to bond owners, freeing up resources to fund new infrastructure projects and other economic activities. Beginning in 2018, the *Tax Cut and Jobs Act (TCJA)* prohibited advance refunding of tax-exempt municipal bonds, but there is strong bipartisan support for restoration.

- APLU Supports **S. 1453- LOCAL Infrastructure Act**
  118th Congress

- APLU Supports **H.R. 1837- Investing in Our Communities Act**
  118th Congress
  These bipartisan, bicameral bills would reinstate advance refunding.

DIRECT SUBSIDY BONDS

While no longer issued, direct subsidy bonds previously allowed state and local governments—as well as entities such as public universities—to receive a subsidy from the federal government for the lifetime of the bond to cover a percentage of interest costs. During the Great Recession, a new direct subsidy bond program known as Build America Bonds (BABs) was created to aid with economic recovery. BABs were issued for defined governmental purposes, and bond owners received a subsidy equal to 35 percent of the interest paid for the lifetime of the bond. In subsequent years, however, Congress reduced these subsidy amounts promised to issuers through the sequestration process.

Restoring and expanding the use of direct subsidy bonds and ending their exposure to sequestration would immediately create an attractive investment option for critical campus infrastructure projects. Public universities have used BABs for environmental upgrades to campus infrastructure, research facilities, and other needed investments.

- APLU Supports **S. 1695- American Infrastructure Bonds Act**
  118th Congress
  This bipartisan bill would provide the issuer of an American Infrastructure Bond a credit with respect to each interest payment under such bond, at a subsidy rate of either 35 or 28 percent depending on the date of the bond issuance.