



Tax policy issues broadly impact public research universities. APLU advocates in support of a number of key tax issues, including provisions that help make higher education more affordable for students and families, create incentives to promote charitable giving to further institutions' educational and research missions, and extend access to low-cost capital to support infrastructure investments.

APLU supports passage of the following legislation advancing these priorities in the 118<sup>th</sup> Congress.

## Expanding and Improving Student Higher Education Tax Credits

### 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 spend 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.

- **H.R. 6749 - American Opportunity Student Tax Relief Act**  
*116<sup>th</sup> Congress, not yet reintroduced*  
This bill would expand the AOTC with a short-term increase of the incentive during the COVID-19 pandemic and provide long-term improvements to the program.

## Increasing Incentives for Charitable Giving

### UNIVERSAL CHARITABLE GIVING CREDIT

Since 1917, the federal charitable tax deduction has provided a tax deduction for donations made to nonprofit organizations by taxpayers who itemize their tax returns. Expanding this credit to all taxpayers would encourage all Americans to donate, helping charitable organizations including public universities serve their students and families, workers, and communities, especially those impacted by COVID-19.

- **H.R. 1081 - Charitable Giving Tax Deduction Act**  
*117<sup>th</sup> 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

Advance refunding provided colleges and universities, along with other municipal bond holders, the one-time option to refinance outstanding municipal bonds to more favorable borrowing rates or terms. This tool allowed colleges and universities to generate savings by reducing the interest payments made to bond owners, freeing up resources to fund new infrastructure projects and other 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.

- **S. 479 - LOCAL Infrastructure Act**  
*117<sup>th</sup> Congress, not yet reintroduced*
- **H.R. 2288 - Investing in Our Communities Act**  
*117<sup>th</sup> Congress, not yet reintroduced*  
These bipartisan, bicameral bills would reinstate advance refunding to free up much-needed capital and assist in the long-term economic recovery following the COVID-19 crisis.

### DIRECT SUBSIDY BONDS

Direct subsidy bonds 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.

- **S. 1308 - American Infrastructure Bonds Act**  
*117<sup>th</sup> Congress, not yet reintroduced*  
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.