



Washington University in St. Louis

Mark S. Wrighton
Chancellor

November 15, 2017

The Honorable Roy D. Blunt
United States Senate
260 Russell Senate Office Building
Washington, DC 20510-2508

Dear Senator Blunt:

I am concerned about the effect that the Senate tax reform proposal will have on colleges and universities, our employees, our students, and their families. The legislation places too much of the burden for fixing our outdated tax system on America's nonprofit colleges and universities.

I am pleased that the Senate bill retains many of the student tax benefits the House proposed to eliminate. Graduate student tuition remission, the student loan interest deduction, and employer-provided educational assistance are all critical to keeping higher education accessible and affordable.

I join other nonprofit institutions troubled about the impact the Senate tax bill would have on charitable giving. A memo from the Joint Committee on Taxation recently estimated that for tax year 2018, approximately 41 million taxpayers who itemize will deduct charitable contributions totaling \$241 billion. Under the House tax bill (and likely the Senate bill), the Committee estimates that approximately 9.4 million taxpayers who itemize will deduct charitable contributions totaling \$146 billion. Without a counterbalancing above-the-line deduction for charitable contributions, the proposed increase in the standard deduction and other provisions will result in the loss of billions in contributions, endangering nonprofit organizations that play important roles in our community.

An issue that is critical to Washington University is the proposed excise tax on private university endowments. This provision sets an incredibly dangerous and needless precedent by taking money donated by private citizens for charitable purposes at nonprofit educational institutions and redirecting it for no other reason but to meet unrelated government revenue needs. Taxing endowments means that the federal government is replacing donors' intent about the use of their private funds with the government's intent.

The endowment excise tax proposal also singles out a set of universities based on an arbitrary set of criteria. The number of enrolled students, size of the endowment, and private nonprofit university status have absolutely nothing to do with the quality of an institution's education offerings and research, its efficiency in operations, or other services provided.



The role of endowed funds in the sustained operation of a modern university has long been misunderstood, but properly managed endowment returns help Washington University to fund student financial aid, libraries, student services like career counseling, and cutting-edge research while providing the means to weather economic downturns. The excise tax provision will decrease the overall amount of funds available to the University to support our educational, research, and patient care missions. The tax code should continue to allow all nonprofit universities to utilize these assets for the fulfillment of our missions.

While I am grateful that the Senate bill does not eliminate private activity bonds, the provision doing away with advance refunding bonds will harm public and private institutions. By taking away this valuable financing tool, organizations will be unable to refinance existing debt at lower interest rates, adding costs for capital projects at hospitals, universities, and schools.

The Senate bill also contains changes to the way nonprofit organizations account for Taxes on Unrelated Business Income (UBIT), including treating the use of name and logo royalties as taxable income and the calculation of UBIT separately for each trade or business in a so-called "basketing" manner. "Basketing" would require all gains and losses to be calculated by activity rather than in the aggregate, a rule and standard not applied to corporations generating business income. Universities should not be needlessly held to special standards and reporting burdens that are not imposed on other sectors and industries engaged in multiple business activities. While Washington University and other colleges should pay taxes on activity not related to their education, research, and patient care missions, they should not be taxed inequitably compared to their for profit counterparts.

Thank you for your attention to these troubling provisions in the Senate tax bill.

With best regards,

Sincerely yours,

A handwritten signature in black ink that reads "Mark". The letters are cursive and fluid.

Mark S. Wrighton