

[COMMITTEE PRINT]

REPORT
ON
HEARINGS

BEFORE THE

TASK FORCE ON TAX EXPENDITURES,
GOVERNMENT ORGANIZATION, AND REGULATION

ON

COLLEGE TUITION TAX CREDITS

(Held on April 28 and May 12, 1977)

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES



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(II)

LETTERS OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
October 25, 1977.

Hon. PAUL SIMON,
*Chairman, Task Force on Tax Expenditures, Government Organization,
and Regulation, U.S. House of Representatives, Washington, D.C.*

DEAR MR. SIMON: On Monday, October 17, 1977, the Committee on the Budget approved the report on the hearings before the Task Force on Tax Expenditures, Government Organization, and Regulation on College Tuition Tax Credits.

I have instructed the staff to prepare the report for printing as quickly as possible.

Sincerely yours,

ROBERT N. GIAIMO, *Chairman.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., October 3, 1977.

Hon. ROBERT N. GIAIMO,
*Chairman, Budget Committee,
Room 214, 300 New Jersey Avenue SE., Washington, D.C.*

DEAR MR. CHAIRMAN: The Task Force on Tax Expenditures, Government Organization, and Regulation has completed a suggested Committee print on the subject of college tuition tax credits. You will recall that in April and May we held a series of hearings on this subject. I am enclosing a list of people who testified and submitted statements for the record.

We now have prepared a summary of that testimony and an analysis of some of the proposals that were presented. While our report does not contain specific recommendations, it does set out a number of alternative policies for consideration by the Committee on Ways and Means and the Committee on Education and Labor.

The task force gratefully acknowledges the assistance of Frank Russek of the Tax Analysis Division of the Congressional Budget Office in the preparation of this report.

I have received the approval of all of the other Members of the Task Force listed below, and I respectfully request that you bring this matter to the attention of the full Committee for final approval as a Committee print.

Thank you for your attention to this matter.

Cordially,

PAUL SIMON, *Chairman,
Tax Expenditures, Government
Organization, and Regulation Task Force.*

Enclosures.

(III)

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WITNESS LIST

TASK FORCE ON TAX EXPENDITURES, GOVERNMENT ORGANIZATION, AND REGULATION

COLLEGE TUITION TAX CREDIT HEARINGS

Dr. Mary Berry, Assistant Secretary for Education, U.S. Department of Health, Education, and Welfare.	Senator William V. Roth, Jr.
Hon. Laurence N. Woodworth, Assistant Secretary of the Treasury for Tax Policy, U.S. Department of the Treasury.	Senator Richard S. Schweiker.
Representative Lawrence Coughlin.	Dr. Henry D. Paley, President, Commission on Independent Colleges and Universities.
Representative Tom Corcoran.	David Rosen, Legislative Director, National Student Lobby.
Representative Philip M. Crane.	Lawrence Zaglaniczny, National Director, Coalition of Independent College and University Students.
Representative Abner J. Mikva.	

STATEMENTS FOR THE RECORD

Representative Mario Biaggi.	Representative Herbert E. Harris.
Edward J. Bloustein, President, Rutgers University (on behalf of the National Association of State Universities and Land Grant Colleges).	Senator Ernest F. Hollings.
Representative James J. Delaney.	Karl Rove, Chairman, College Republican National Committee.
Thomas E. Wenzlau, Chairman, Great Lakes College Association.	Kenneth Shaw, President, Southern Illinois University—Edwardsville.

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CHAPTER I--INTRODUCTION

The purpose of these hearings was to consider the issue of providing tax credits for the costs of higher education. They were held as part of the House Budget Committee's statutory responsibility:

... to request and evaluate continuing studies of tax expenditures, to devise methods of coordinating tax expenditures, policies, and programs with direct budget outlays, and to report the results of such studies to the House on a recurring basis ... (Congressional Budget Act, Section 101(c)).

For many years, the Congress has considered measures that would provide tax relief for college costs. The Senate approved tax credits for higher education in 1967, 1969, 1971, and twice in 1976; however, none of these proposals were enacted into law. Interest in such legislation continues to be strong, and many bills offering tax allowances for college expenses are currently pending in the Congress. Underlying most of these proposals is a concern that soaring college costs will make it impossible for many families to send their children to college, despite the existence of direct Federal grant and loan programs.

Proposals for education tax allowances raise important issues for both education policy and tax policy, including:

Are many needy families excluded from existing programs of direct aid that attempt to insure access and choice in higher education?

If additional Federal funds are to be committed to this area, should they be directed to an extension of current programs or should they be used to establish new forms of aid?

Do education tax allowances conform to the tax policy goals of equity, efficiency, and simplicity?

These issues should be considered together so that the policy effects of alternative proposals can be examined. The Budget Act provides the Congress with an opportunity to assure that this is done.

The hearings covered 2 days. The witnesses appearing on the first day were: Dr. Mary Berry, Assistant Secretary for Education, Department of Health, Education, and Welfare; Dr. Laurence N. Woodworth, Assistant Secretary of the Treasury for Tax Policy; and Dr. Henry D. Paley, President of the Commission on Independent Colleges and Universities. On the second day, testimony was received from several sponsors of current bills to provide education tax allowances, including Congressmen Tom Corcoran, Philip M. Crane, and Abner J. Mikva, and Senators Richard S. Schweiker and William V. Roth, Jr. The hearings concluded with testimony from two outside witnesses: David Rosen, Legislative Director for the National Student Lobby, and Lawrence Zaglaniczny, National Director of the Coalition of Independent College and University Students.

In addition, written testimony for the record was submitted by Congressmen Lawrence Coughlin, James J. Delaney, Herbert E. Harris II, and Mario Biaggi; Senator Ernest F. Hollings; Dr. Kenneth Shaw, President of Southern Illinois University; Dr. Edward J. Bloustein, President of Rutgers University; Thomas E. Wenzlau, Chairman of the Great Lakes College Association; and Karl Rove, Chairman of the College Republican National Committee.

This report summarizes the testimony of witnesses and reviews the major issues raised at the hearings. Based on the information provided at the hearings, the report also presents a list of alternative policies (see chapter VII) submitted by the Task Force for consideration by the Committee on Ways and Means and the Committee on Education and Labor.

CHAPTER II—PROPOSALS FOR EDUCATION TAX ALLOWANCES

Proposals for education tax allowances are not new to the Congress. Since the 1950's, many measures have been introduced each year to provide some form of tax relief for the personal costs of higher education. Most of the earlier proposals offered the taxpayer a tax deduction or extra personal exemption for education expenses. Since the mid-1960's, however, the most frequently advocated form of allowance has been a credit against tax liability. In some cases, a credit/deduction option has been proposed. Deferment or postponement of taxes has also been considered as an alternative to tax credits or deductions.

No education tax allowance measure has ever received approval by the full Congress. The Senate approved tax credit amendments in 1967, 1969, 1971, and twice in 1976, but these amendments never reached the floor of the House. In the 95th Congress, over 80 proposals for education tax allowances have been introduced. They are listed in the Appendix.

Each of the Members of Congress who testified at the hearings is the sponsor (or cosponsor) of an education tax allowance measure in the current Congress. The major features of their proposals are presented in Table 1. The proposals can be distinguished according to (1) the type of allowance offered, (2) the nature of the expenses which are covered, (3) the level of education which is subsidized, (4) the type of student who is eligible, and (5) the estimated cost of the program.

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TABLE 1.—DESCRIPTION OF EDUCATION TAX ALLOWANCES PROPOSED BY MEMBERS OF CONGRESS TESTIFYING AT THE TASK FORCE HEARINGS

Item	Roth	Mikva	Delaney
Type of allowance.....	Nonrefundable credit of not more than \$250 (\$500 by 1980) per student per year. ¹	Interest-free deferral of taxes equal to 75 percent of the 1st \$1,000, 50 percent of the next \$1,000 and 25 percent of the 3d \$1,000 of education expenses. Total deferral cannot exceed \$10,000 per student. Repayment must be within 10 yr of completion of education or within 20 yr from beginning of deferment, whichever is earlier.	Deduction of \$1,000 or nonrefundable credit of \$250. ¹
Qualified expenses.....	Tuition, fees, books, supplies, and equipment. Qualified expenses are calculated net of fellowships, scholarships, and veterans' benefits.	Tuition, fees, books, supplies, and equipment. Qualified expenses are calculated net of fellowships, scholarships, and veterans' benefits.	Tuition only.
Level of education covered.....	Postsecondary, but not graduate.	Postsecondary.	Postsecondary, secondary, and elementary.
Type of student covered.....	Full-time student only.	Part-time and full-time students.	Full-time student only.
Estimated cost:			
1st full year.....	\$1 billion ² .	\$7.9 billion ³ .	\$2.7 billion ⁴ .
5th full year.....	\$2.5 billion ² .	\$7.2 billion ³ .	\$3.3 billion ² .

Item	Harris	Corcoran	Crane
Type of allowance.....	Nonrefundable credit equal to 100 percent of 1st \$200, 25 percent of next \$300, and 5 percent of expenses between \$500 and \$1,500. Credit reduced by 1 percent of adjusted gross income above \$22,500. ¹	Nonrefundable credit equal to 50 percent of qualified expenses (maximum credit of \$250), or deduction of \$1,000. ¹	Nonrefundable credit equal to 75 percent of 1st \$200, 25 percent of next \$300, and 10 percent of qualified expenses between \$500 and \$1,500. Credit reduced by 1 percent of adjusted gross income above \$25,000. ¹

Qualified expenses.....	Tuition, fees, books, supplies, and equipment. Eligible expenses calculated net of fellowships, scholarships, and veterans' benefits.	Tuition.....	Tuition, fees, books, supplies, and equipment. Eligible expenses reduced by fellowships, scholarships, and veterans' benefits.
Level of education covered.....	Postsecondary.	Postsecondary, secondary, and elementary.	Postsecondary.
Type of student covered.....	Part-time and full-time students.	Part-time and full-time students.	Part-time and full-time students.
Estimated cost:			
1st full year.....	\$3.0 billion ⁴ .	\$3.8 billion ⁴ .	\$2.7 billion ⁴ .
5th full year.....	\$3.5 billion ² .	\$4.4 billion ² .	\$3.2 billion ² .

Item	Coughlin	Schweiker	Hollings
Type of allowance.....	Nonrefundable credit equal to 100 percent of the 1st \$200, 75 percent of the next \$300, and 25 percent of qualified expenses between \$500 and \$1,500. Credit reduced by 1 percent of adjusted gross income above \$25,000. ¹	Nonrefundable credit of not more than \$250 (\$500 by 1980) per student. ¹	One bill would offer a nonrefundable credit of \$1,000. ¹ A separately introduced bill would provide a deduction of \$3,500.
Qualified expenses.....	Tuition, fees, books, supplies, and equipment. Eligible expenses are calculated net of fellowships, scholarships, and veterans' benefits.	Tuition, fees, books, supplies, and equipment. Eligible expenses are calculated net of fellowships, scholarships, and veterans' benefits.	Tuition, fees, books, supplies, and equipment. Eligible expenses are calculated net of fellowships, scholarships, and veterans' benefits.
Level of education covered.....	Postsecondary.	Postsecondary, but not graduate.	Postsecondary.
Type of student covered.....	Part-time and full-time students.	Full-time student only.	Credit—Full-time students only. Deduction—Full-time and part-time students.
Estimated cost:			
1st full year.....	\$5.5 billion ⁴ .	\$1 billion ² .	Credit: \$4.9 billion, ⁴ \$5.6 billion. ² Deduction: \$1.7 billion, ⁴ \$2.0 billion. ²
5th full year.....	\$6.7 billion ² .	\$2.3 billion ² .	

¹ A nonrefundable tax credit is one which cannot exceed the taxpayer's tax liability. A refundable tax credit is one which provides the taxpayer a cash payment for the difference if the calculated credit is larger than the tax liability.

² CBO estimate based on CRS data.
³ Joint Committee on Taxation estimate.
⁴ CRS estimate.

TYPES OF ALLOWANCE

Most of the proposals shown in Table 1 would offer the taxpayer a credit against tax liability. In some cases, the taxpayer could choose between a tax credit and a larger tax deduction. The maximum credit differs somewhat among bills, ranging from \$250 to \$1,000. These credits would not be refundable; that is, the amount received could not exceed the taxpayer's tax liability. Generally, but not always, the credit would vary with the amount of education expenses and would offset a larger fraction of initial expenses and a smaller fraction of higher costs. In some cases (for example, Coughlin, Hollings, and Harris), the credit would be reduced by a proportion of adjusted gross income above some specified level.

As an alternative to a tax deduction or credit, the Mikva proposal would allow the taxpayer to defer or postpone a portion of the tax liability, based on the amount of education expenses incurred. As indicated by Congressman Mikva in his testimony, the payback period could be shortened and an interest charge could be imposed to reduce the cost to the Government.

QUALIFIED EXPENSES

Most of the proposals in Table 1 would cover the expenses directly associated with instruction—tuition, fees, books, supplies, and equipment. Some proposals (for example, Delaney and Schweiker), however, would apply only to tuition. None of the proposals would provide an allowance for living expenses. Most proposals would reduce the amount of expenses eligible for the allowance by amounts received in the form of fellowships, scholarships, and veterans' education benefits.

LEVEL OF EDUCATION

For the most part, the allowances would apply to students enrolled in educational institutions providing training above the 12th grade. Some measures (for example, Roth and Corcoran) would exclude graduate students; however, others (for example, Schweiker and Delaney) would include elementary and secondary students.

TYPE OF STUDENTS

Most bills would apply to both part-time and full-time students. However, in some cases (for example, Roth, Corcoran, and Delaney), the benefits are extended only to full-time students.

COST

Estimates of the revenue loss for the first full year, the tax allowances that are in effect range from \$1 billion to nearly \$8 billion, depending on the specific bill. In general, the cost is less for proposals that are more narrowly focused and that provide relatively small amounts of assistance per student. The tax deferral proposed by Congressman Mikva would cost the most in the short run since it provides the largest per-student benefit. In the long run, however, it would cost less than many other proposals because taxpayers would pay back their deferred taxes.

CHAPTER III—ADMINISTRATION'S POSITION ON EDUCATION TAX ALLOWANCES

The Administration's position on education tax allowances was presented by Dr. Mary Berry, Assistant Secretary for Education, Department of Health, Education, and Welfare, and by Dr. Laurence N. Woodworth, Assistant Secretary for Tax Policy, Department of the Treasury.

Dr. Berry stated that HEW opposes the adoption of education tax allowances. HEW's view is that such tax allowances are not consistent with current education policy which provides student assistance primarily on the basis of need. In general, education tax allowances are not narrowly directed to those with need. In HEW's view, there are a number of combinations of grant and loan programs that would deal with the financial problems of students from middle-income families better than education tax allowances.

Dr. Woodworth stated that Treasury opposes the adoption of tax allowances for the personal costs of education primarily because such measures are not consistent with the basic goals of tax policy: Simplicity, efficiency, and equity. Treasury views tax allowances for education expenses as a form of tax expenditure that would add complexity to tax forms. It is not clear to Treasury that such allowances promote an efficient allocation of resources since some forms of education would be subsidized, but others would not be. (For example, most bills do not subsidize on-the-job training, a very important form of education.) Finally, Treasury questions the equity of such allowances since they generally do not consider financial need and, for the most part, would be received by those who are wealthier than the average taxpayer.

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CHAPTER IV—SUMMARY OF TESTIMONY SUBMITTED BY CONGRESSMEN AND SENATORS

The view of the Congressmen and Senators who submitted testimony was that some form of tax allowance should be provided to middle-income families for the costs of higher education. However, there was some variation in the form of tax allowance that was considered appropriate.

REPRESENTATIVE ABNER J. MIKVA

Representative Abner J. Mikva favored the adoption of a new program of student aid. He expressed dissatisfaction with the low participation rate for the current grant programs and the high default rates and arbitrary determination of eligibility for the loan programs. He noted that a tax credit program would be less likely to have these shortcomings since eligibility would be determined relatively simply, since participation would not be dampened by a complicated application process, and since no repayment of the subsidy would be required. However, he questioned the adequacy of relief provided by most tax credit proposals and the high budgetary cost of such plans.

As an alternative, he recommended the adoption of a plan that would allow taxpayers to defer or postpone the payment of a portion of their tax liability based on their education expenses. According to Congressman Mikva, this plan could be administered effectively by the IRS and would provide families with the needed liquidity to finance current education costs at a modest cost to the Treasury. He emphasized that, since a tax deferral plan would primarily assist middle-income families, the current programs of aid to institutions and low-income students should not be abandoned.

REPRESENTATIVE LAWRENCE COUGHLIN

Representative Lawrence Coughlin favored the adoption of an education tax credit that would be reduced for taxpayers with adjusted gross incomes above \$22,500. He noted that the credit would provide temporary relief for use only during a limited time period when the drain on family income was high. It would not become a permanent tax haven for taxpayers.

To demonstrate the need for an education tax credit, Congressman Coughlin submitted data showing that students from middle-income families personally pay a greater share of their college expenses than do those in poorer or wealthier circumstances, and that the enrollment rate for these students has fallen relative to that of other income groups. He stated that such enrollment declines were not in the best interest of the Nation and that some Federal action was needed. He said the cost of his proposal would amount to a very small fraction of

total Federal spending and would be partly offset by the higher taxes paid by those whose incomes were increased by higher education. He favored the tax credit approach because he considers it to be a more reasonable and simple way to assist middle-income families than attempts to extend the current need-based programs of student aid.

REPRESENTATIVE TOM CORCORAN

Representative Tom Corcoran supported a tax credit plan that eventually would allow taxpayers to offset as much as \$500 of college expenses. (Congressman Corcoran's plan was identical to that submitted by Senator William V. Roth, Jr.) He said that college does not necessarily mean a better job or more pay, but college should not simply be considered a training program for a better job. He did not view current loan programs as a complete solution to the financial problems of middle-income students. These programs, he said, are costly to run and have high default rates. He preferred the tax credit approach because it (1) especially aids middle-income families and (2) entails relatively few administrative costs. Also, he did not consider the overall budgetary cost to be prohibitive.

SENATOR WILLIAM V. ROTH, JR.

Senator William V. Roth, Jr., favored the adoption of a tax credit that would provide as much as \$500 in relief per student. He said that middle-income families and those with more than one child in school have been especially hard hit by the soaring costs of higher education. For example, he cited statistics indicating that between 1969 and 1974 the enrollment rate for middle-income students fell 22 percent while that for other income groups remained relatively stable. The current lack of much relief for middle-income students was illustrated by the fact that, as of January 1975, less than 4 percent of the Basic Educational Opportunity Grants went to families earning more than \$12,000 a year.

He stated that he does not believe the way to help middle-income families is to extend the current programs of Federal grants. He preferred the tax credit approach because it allows middle-income families to keep more of what they earn to pay their own education expenses. Middle-income families do not want handouts from the Federal Government, Senator Roth said.

Senator Roth indicated that he did not think the tax deferral approach was the appropriate route. He favored tax credits over tax deferrals because credits are easier to administer and are less costly in the short run. He also opposed the idea of providing less aid for the first child that a family has enrolled in school. He did not consider this distinction to be fair.

SENATOR RICHARD S. SCHWEIKER

Senator Richard S. Schweiker favored the adoption of a tax credit/deduction option that would apply to students in elementary and secondary schools as well as to those in postsecondary programs. The reason he would extend aid to the lower education levels is that it would help the many Catholic schools whose services relieve the local

governments of the financial burdens of educating this group of students.

He prefers tax credits and deductions rather than an extension of current grant programs because he does not believe that modification of the grant programs would provide much aid for middle-income families. Data for the State of Pennsylvania, he said, indicate that no significant relief will go to middle-income families as a result of the 1976 changes in the Basic Educational Opportunity Grant program that raised the maximum award from \$1,400 to \$1,800. He also opposed the tax deferral approach because he considers it to be quite complicated. He believes that, while his tax relief plan would provide only a limited amount of aid, it nevertheless would be a simple and practical method of assistance. Moreover, it would require neither a new bureaucracy nor more paperwork for colleges and universities.

REPRESENTATIVE PHILIP M. CRANE

Congressman Philip M. Crane favored the adoption of either a tax credit or tax deduction for higher education costs. His opinion was that, since the tax code currently provides incentives for capital investments, it should also provide them for investments in people. He said that, in the long run, the shortrun revenue loss would be more than made up by higher tax payments from those whose incomes are increased through education. Moreover, he believes that the resulting increase in enrollments would enable institutions better to finance the cost of providing educational services. He did not favor the adoption of a tax deferral plan because he considered it too complicated to administer.

REPRESENTATIVE HERBERT E. HARRIS

In a statement submitted for the record, Congressman Herbert E. Harris favored a tax credit that would be reduced for families with adjusted gross incomes above \$25,000. He preferred the tax credit approach because he believes it is a simple and direct means of providing assistance. He acknowledged that, since his credit plan covers a fraction of costs and has a ceiling, it will offset a larger percentage of the cost at less expensive institutions but will provide a larger dollar subsidy to students attending more expensive institutions. He believed that a tax credit is necessary to improve the equity of the tax code. He viewed as unfair the tax code's dual treatment of education expenses that, on the one hand, allows a deduction for education-related "business expenses" incurred for training required to maintain one's position of employment but, on the other hand, provides no relief for students who are pursuing education or training for their future careers.

SENATOR ERNEST F. HOLLINGS

Senator Ernest F. Hollings submitted a written statement in support of his proposal for a tax credit that would be reduced for families with adjusted gross incomes above \$25,000. Tax credits are needed, he said, to offset the soaring increases in college costs that have reduced access to higher education for many middle-income families. Such credits would help those families whose savings for college have

been eroded by inflation and who find it difficult, if not impossible, to borrow because of tight money conditions and high interest rates.

REPRESENTATIVE JAMES J. DELANEY

Congressman James J. Delaney's statement for the record favored the approach of a tax credit/deduction option. Like Senator Schweiker, he would make the credit (or deduction) available to elementary and secondary students as well as to postsecondary students. According to Congressman Delaney, a tax credit or deduction for education is more than tax justice—it makes good economic sense. Moreover, he noted that both the Democratic and Republican platforms were committed to some form of financial relief for education expenses.

REPRESENTATIVE MARIO BIAGGI

Congressman Mario Biaggi (a cosponsor of the Delaney bill) submitted a statement for the record in which he expressed his support for a tax credit/deduction option that would help families finance tuition expenses at elementary and secondary schools as well as at postsecondary institutions. He noted that soaring education costs are making it more difficult for families to send their children to private schools and that this burden is increased by taxes used to support public institutions. According to him, the Delaney bill would address this problem. Yet, its design overcomes constitutional objections based on the first amendment because it does not restrict aid to those attending religiously affiliated schools. The measure is especially attractive to him since it does not enlarge the Federal sector—the taxpayer could obtain relief simply by withholding part of his own tax funds. Finally, he viewed the bill as highly complementary to other Government programs that attempt to provide expanded educational opportunities for more children.

CHAPTER V—POSITION OF NONCONGRESSIONAL WITNESSES

COMMISSION ON INDEPENDENT COLLEGES AND UNIVERSITIES

Dr. Henry D. Paley stated that the Commission on Independent Colleges and Universities (CICU) does not view tax allowances as reasonable or practical substitutes for existing programs of aid. However, CICU believes that Federal tax relief, if properly structured, could provide a practical means of stabilizing enrollments between public and private schools while enhancing student choice.

NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES

In a statement submitted for the record, Dr. Edward J. Bloustein said that the National Association of State Universities and Land Grant Colleges had not reached a definitive position on tax credits since the group is ambivalent about the issue. Specifically, it views new programs to aid institutions in the context of the existing patchwork of programs which, according to them, is in need of a thorough overhaul. Tax credits do not aid in the overhaul of the system. Moreover, the institutional benefits of tax credits are incidental to the tax benefits for the middle class.

Speaking for himself, and not for the National Association of State Universities and Land Grant Colleges, he voiced approval of education tax credits. He feels that a tax credit program would not require a larger bureaucratic structure. Also, it could be easily directed to specific income groups without requiring middle-income students and their parents to document poverty—a requirement they would find offensive and humiliating. Finally, he said, tax credits would not be subject to the vagaries of the appropriations process.

NATIONAL STUDENT LOBBY

David Rosen testified that the National Student Lobby opposes education tax allowances for several reasons:

In general, most tax allowance proposals do not provide enough aid to afford real financial relief for students or their families.

Tax allowances do not directly aid students. Rather, the funds would generally go to parents with no assurance that they would be spent for education purposes.

The tax structure is not an appropriate way to provide education cost relief. No valid rationale has been given for using the tax structure for this purpose.

Tax allowances will undermine support for the existing array of student aid programs. Currently, more than \$1 billion in revenue is lost through tax expenditures that aid students or their families. Another tax expenditure should not be provided without examining the benefits of the current set of tax expenditures.

The Guaranteed Student Loan program is a more appropriate form of aid for students from middle-income families. It provides a larger benefit than do most tax allowance proposals and makes it immediately available rather than when taxes are paid.

COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS

Lawrence Zaglaniczny testified that the coalition of Independent College and University Students opposes tax allowances for education expenses because the Coalition believes such allowances will upset the balance between private and public higher education. Referring specifically to an allowance such as the one offered by Senator Roth, which would provide a \$500 credit, Mr. Zaglaniczny stated that it would result in zero or half-tuition for almost all those attending a publicly supported institution, thereby giving those institutions a substantial comparative advantage over private institutions. The Coalition believes that the current system of aid is the best structure although it could be refined to meet unsatisfied goals.

DR. KENNETH SHAW

Dr. Kenneth Shaw, President of Southern Illinois University, said that a prudent and generous program of tax incentives could be an extremely valuable device. In his view, tax allowances are a good way to attack the financial problem of families with more than one child in school at the same time. However, he emphasized that adoption of education allowances should not result in the abandonment of current programs that assist low-income minorities. Also, attention should be paid to the problems of part-time students. Any program of education tax allowances should include safeguards to insure that institutions will not raise tuitions.

GREAT LAKES COLLEGE ASSOCIATION

Thomas E. Wenzlau, Chairman of the Great Lakes College Association, sent a letter to Chairman Simon which appears in the printed hearings. Mr. Wenzlau expressed his Association's strong support for Congressional interest in middle-income families. The Association, however, recommends that the Congress focus education tax credits on those families who make a substantial financial contribution for education and whose income presently excludes them from existing student aid programs. For example, the credit could be made equal to the difference between college costs and 10 percent of adjusted gross income. According to Mr. Wenzlau, this type of tax credit would assist those families with several children enrolled simultaneously in state institutions as well as those paying the higher price for a private or independent college.

COLLEGE REPUBLICAN NATIONAL COMMITTEE

Karl Rove, Chairman of the College Republican National Committee, submitted a written statement for the record in which he expressed the view that tuition tax credits are the best way of allowing parents and college students to finance their own educations, prevent expensive administrative costs, and respond to student desires on campus.

CHAPTER VI—ISSUES RELATED TO EDUCATION TAX ALLOWANCES

A number of important issues are raised by the proposals to adopt a tax allowance for the personal costs of education. Among the issues considered at the hearing were:

- The financial burden of college costs for middle-income families;
- Consistency with current education policy and tax policy;
- The likely impact on tuition charges;
- The effect on competition between public and private institutions;
- Problems of administering an education tax allowance program;
- The effect of a new tax subsidy on support for existing aid programs;
- The revenue loss from an education tax allowance; and
- Alternative approaches for providing aid to middle-income families.

A wide range of views was expressed on many of these issues. Most participants agreed that more assistance for middle-income families is needed. There was disagreement, however, about whether a tax credit would be the best means of providing such assistance.

THE COLLEGE FINANCIAL BURDEN FOR MIDDLE-INCOME FAMILIES

The contention that middle-income families need financial relief from the burdensome costs of higher education is often based on reports that the enrollment rate for this group has fallen in recent years relative to that of other income groups. The enrollment decline is generally attributed to the financial pressures imposed by soaring college costs although other factors, such as family consumption patterns and the work/study choice of students, may also contribute. While all families are affected by rising college charges, middle-income families are thought to be especially burdened since they receive relatively little assistance from the direct aid programs that are focused on low- and moderate-income groups and since they do not have the financial resources that are available to high-income families. However, the extent to which enrollment rates have been affected by rising college costs is unclear since, in general, family incomes have risen as fast as (or faster than) college charges.

Enrollment changes

The pattern of enrollment rates for specific income groups is presented in Table 2, which shows Census Bureau data by primary families for real income classes during the 1967-76 period. When year-to-year changes from one year to the next are converted into percentages, the data indicate that since 1969 (the peak enrollment year), families earning between \$10,000 and \$15,000 experienced the largest

enrollment rate decline—16.2 percent.¹ For those with incomes below \$10,000, participation dropped by 14.5 percent; while families earning more than \$15,000 experienced only a 9.2-percent enrollment rate decline.

TABLE 2. PERCENT OF PRIMARY FAMILIES WITH 18-24-YEAR-OLD MEMBERS ENROLLED FULL TIME IN COLLEGE BY FAMILY INCOME: 1975 DOLLARS

Family income	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
0 to 10,000	22.2	23.9	24.9	22.5	22.6	21.7	19.5	19.2	22.4	21.3
10,000 to 15,000	37.9	38.1	39.4	37.2	34.7	34.6	32.4	31.2	33.4	33.0
15,000 and over	53.9	53.7	55.3	53.2	51.4	50.1	48.6	46.6	50.2	49.8
Total	39.1	40.1	42.0	39.8	38.4	37.8	36.2	34.2	37.1	37.0

Source: CBO calculations based on data supplied by the Bureau of the Census.

These statistics on enrollments show that participation in higher education for some middle-income families (specifically those earning between \$10,000 and \$15,000) has declined relative to that of other income groups. For families earning above \$15,000, however, it appears that enrollment rates have fallen less than those of families in lower income classes. However, detailed breakdowns for income categories above \$15,000 are not available for the entire 1967-76 period. It is possible that subcategories of the \$15,000 and over income class may have experienced different enrollment patterns.

College charges

It is unclear to what extent enrollment rates have been affected by increases in college charges. Recent empirical findings suggest that a \$100 increase in tuition not offset by additional student aid is likely to result in enrollment declines varying from 1 to 3 percent, depending, among other things, on the family income of the student and the type of institution.² This estimate, however, is based on the assumption that increases in net college charges are not accompanied by comparable increases in family income. In fact, as shown in Table 3, family income and (to a greater extent) student aid have generally kept pace with college charges.

TABLE 3.—COLLEGE CHARGES, FAMILY INCOME, STUDENT AID, AND THE GENERAL PRICE LEVEL

Year	Student charges ¹		Family income ²			Federal appropriations per student ³	Consumer Price Index ⁴
	Public	Private	Median	80th percentile	Top 5 percent		
1967	\$1,064	\$2,204	\$7,932	\$12,270	\$19,025	\$63	100.0
1968	1,117	2,321	8,362	13,400	20,590	65	104.2
1969	1,205	2,533	9,433	14,751	22,703	84	109.8
1970	1,288	2,740	9,867	15,531	24,250	85	116.3
1971	1,357	2,917	10,285	16,218	25,325	99	121.3
1972	1,458	3,038	11,116	17,760	27,836	159	125.3
1973	1,517	3,163	12,051	19,253	30,015	151	133.1
1974	1,617	3,386	12,902	20,690	32,199	201	147.7
1975	1,748	3,667	13,719	22,037	34,144	240	161.2

See footnotes at end of table.

¹ On page 54 of the printed hearings, a CBO graph submitted by Chairman Simon is presented which shows changes in enrollment rates for students rather than for family units. According to that graph, the largest enrollment decline from 1970 to 1975 was for the \$6,000 to \$9,000 income class (measured in 1975 dollars). This conclusion differs from that stated above and may reflect differences in the income distribution of students and family units. Since most proposals for education tax allowances are directed at families rather than students, however, the decision was made to focus on family units in this report.

² For a review of several of the most recent studies, see Jackson & Weathersby, "Individual Demand for Higher Education," *Journal of Higher Education*, November/December 1975.

TABLE 3.—COLLEGE CHARGES, FAMILY INCOME, STUDENT AID, AND THE GENERAL PRICE LEVEL—Continued

Year	Student charges ¹		Family income ²			Federal appropriations per student ³	Consumer Price Index ⁴
	Public	Private	Median	80th percentile	Top 5 percent		
CUMULATIVE PERCENTAGE CHANGE FROM 1967							
1968	5.0	5.3	8.8	9.2	8.2	34.9	4.2
1969	13.3	14.9	18.9	20.3	19.3	33.3	9.8
1970	21.1	24.3	24.4	26.6	27.5	34.9	16.3
1971	27.5	32.4	29.6	32.2	33.1	57.1	21.3
1972	37.0	37.8	40.1	44.7	46.3	152.4	25.3
1973	42.6	43.5	51.9	56.9	57.8	139.7	33.1
1974	52.0	53.6	62.6	68.6	69.2	219.0	47.7
1975	64.3	66.4	72.9	79.6	79.5	281.0	61.2

¹ Projections of Education Statistics, National Center for Education Statistics (NCES), table 41, p. 86. Changes for 1975 are NCES estimates. (Year 1967 equals academic year 1967-68, etc.).

² "Statistical Abstract for the U.S. 1976" and "Current Population Survey," series P-60, Nos. 105 and 107.

³ "Budget of the U.S. Government" and related materials.

⁴ "Economic Report of the President."

⁵ Not strictly comparable to earlier years due to revised procedures.

As shown in the lower panel of Table 3, charges at both public and private institutions rose by roughly 65 percent during the period 1967-75. The consumer price index (a measure of the general price level) rose by somewhat less—61.2 percent. As a result, real college costs (that is, costs adjusted for inflation) rose by only 1.9 percent at public institutions and 3.2 percent at private institutions.

Offsetting this increase in real college charges, however, has been a rise in family incomes, both in real and current dollar terms. During the 1967-75 period, median family income increased by 72.9 percent (7.3 percent in real terms) compared to an increase in college charges of roughly 65 percent. Because of this growth in family income, student charges at public institutions decreased from 13.4 percent to 12.7 percent of median family income while student charges at private institutions fell from 27.8 percent of median family income to 26.7 percent.

Families with incomes well above the median have experienced an even faster growth in income. For those in the 80th percentile (that is, just below the richest 20 percent) and those in the top 5 percent, the growth in current dollar income has been 79.6 percent and 79.5 percent, respectively. As a result, college costs in 1975 were a significantly smaller portion of income than in 1967.

To some extent, increases in college charges have also been offset by growth in Federal student aid. During the period 1967-75, appropriations for the major student aid programs grew 281 percent on a full-time student equivalent basis. While most of the appropriations were for programs primarily aiding lower income students, there was also substantial growth in the Guaranteed Student Loan Program (GSLP)—the primary source of assistance for middle-income families. From 1967 to 1975, appropriations for the GSLP (which represent the subsidy element of the program) rose by 472 percent on a full-time student equivalent basis. During this period, families with adjusted family incomes of \$15,000 or less (approximately \$19,000 of adjusted gross income) were eligible for Federal payment of interest charges while they were in school.³ The dollar volume of loans approved per

³ In 1976, the ceiling for this subsidy was raised to \$25,000 adjusted family income (roughly \$31,000 of adjusted gross income). The difference between these two income concepts is that adjusted family income reflects adjustments for personal tax exemptions and standard deductions.

student rose by 238 percent. Thus, even for some families not covered by the needs-tested direct aid program, Federal support has risen faster than student charges.

These data do not support the claim that the financial burden of college expenses has increased for middle-income families in general. Of course, these findings apply to the "representative" family and do not necessarily describe the condition of selected families. Middle-income families that have unusual expenses other than those for education or that are sending more than one child to school may in fact be experiencing financial hardships. While these hardships may not be any worse than those faced by similar families a decade or so ago, they may be sufficiently serious to justify consideration of some form of relief.

CONSISTENCY WITH CURRENT POLICY

Some witnesses observed that a tax credit might be contrary to current education and tax policies. For example, a tax credit broadly available to all income levels would represent a sharp departure from current education programs that are based on family need. Others pointed out that, unless very carefully designed, a tax credit would conflict with the tax policy goals of fairness, efficiency, and simplicity.

Relating benefits to need

Currently, the major student aid programs⁴ administered by the Office of Education generally take into account both family income and education expenses when determining the amount of assistance provided for a student. Basically, need is determined as the difference between a family's ability to contribute and the charges imposed by the educational institution. The determination of a family's potential contribution includes consideration of income, assets, and the number of family dependents enrolled in college.

Education tax credits generally do not restrict benefits to families in need. While most proposals link benefits to expenses, at least to some extent, few proposals take income (or some other measure of contributing ability) into account. Thus, many families who would not be considered needy under most standards would nevertheless receive benefits under many of the education tax credit plans. The subsidies for nonneedy families reduce the amount of aid that can be distributed to families with demonstrated need. Thus, some students might be prevented from attending college because of insufficient subsidies while others might receive subsidies that are not really needed.

Taxpayer equity

Witnesses opposing the adoption of a tax credit for education expenses expressed concern that the credit would have an adverse effect on tax equity among individuals similarly situated (horizontal equity) and among taxpayers with different incomes (vertical equity). Education expenses do reduce the amount of income that can be used

⁴ The major student aid programs administered by the Office of Education include the following: Basic Educational Opportunity Grants, Supplemental Educational Opportunity Grants, Work/Study Programs, National District Student Loans, and Guaranteed Student Loans. In fiscal year 1977, outlays totaled \$2.7 billion. Since variables other than income are considered when determining eligibility for most of these programs, there is no fixed income level above which eligibility abruptly ends. However, generally those with incomes above \$20,000 do not qualify for the grant and direct loan programs, and those with incomes above \$31,000, are not able to get guaranteed student loans.

for other purposes, but it is not clear that such expenses represent the kind of reduction in ability to pay taxes that should be recognized by the tax code. The implications of education tax allowances for tax equity depend on what view of this issue is adopted.

In theory, involuntary and unexpected personal expenses that are extraordinarily large relative to income have a greater impact on ability to pay taxes and thus may have more claim to be treated as legitimate allowances against taxes. Casualty losses and extraordinary medical expenses are good examples. A person generally has little control over these outlays;⁵ they are usually unforeseen and sometimes are catastrophically large. Because of the nature of these expenses, the tax allowances provided for them receive fairly wide support as measures that improve tax equity. They help to relieve hardships that would arise from the strict application of a tax on economic income.

It is not clear that education expenses resemble casualty losses and medical expenses closely enough to warrant special tax allowances for equity purposes. Like an expenditure for medical care, an expenditure for tuition may be viewed by many taxpayers as a duty, a high-priority expense to be borne for the benefit of one's children or other dependents. As such they may be considered semi-involuntary in nature, and deserving of a tax allowance on the grounds that, to some extent, they represent a nonvoluntary reduction in ability to pay taxes. However, they also resemble other semi-involuntary expenses, such as those for food and shelter, for which no deduction is provided. Moreover, education expenses differ from medical expenses and casualty losses in that the need to finance an education can almost always be anticipated far in advance. Finally, it may be argued that education expenses are inherently a more personal type of consumption than are medical expenses and thus should not be given any tax allowance.

If education expenses are *not* considered to be a legitimate offset to taxes, then the adoption of an education tax credit will worsen both horizontal and vertical equity. Horizontal equity will be adversely affected since two families with the same income, wealth, and number of children will be subject to different tax liabilities if one has children in college while the other does not. Vertical equity (fair treatment among taxpayers who differ only in income) will also suffer since the progressivity of the tax structure will depend on the number of students in a family. On average, taxpayers with children in college are wealthier than most other taxpayers; thus, the adoption of an education tax credit will make the tax structure less progressive. Some may view reduced progressivity as a desirable reform, but it could be provided in a more straightforward way by altering the tax rate schedule rather than by providing allowances for education expenses.

However, if one adopts the opposing view that some tax allowance for education expenses is necessary to achieve equity among taxpayers based on their ability to pay taxes, the only question left is the form that the allowance should take. A tax deduction seems more consistent with this view than a credit. In our tax system expenses that reduce the ability to pay, such as casualty losses or unusually high medical

⁵ Some medical expenses such as those incurred for facelifting and hair transplants may be viewed as voluntary, however.

expenses, usually take the form of deductions. In this way, the relationships among taxpayers with different incomes but the same ability to pay taxes are not modified. A credit, by contrast, could leave a lower income taxpayer with modest education expenses better off than someone with higher income and high education expenses even though it is stipulated that the education expenses have left them both with the same ability to pay taxes. If, for example, Taxpayer A has income of \$22,000 and education expenses of \$2,000 while Taxpayer B has income of \$25,000 and education expenses of \$5,000, both have \$20,000 left after these expenses with which to pay taxes. If education expenses are deductible for tax purposes, both A and B would pay the same tax. But if instead a credit is given for some portion of the education expenses, Taxpayer A would end up paying less in taxes than Taxpayer B even though it is assumed that both have the same ability to pay. This example is elaborated in the following table.

Item	Deduction		Credit	
	Taxpayer A	Taxpayer B	Taxpayer A	Taxpayer B
Income	\$22,000	\$25,000	\$22,000	\$25,000
Education expenses	2,000	5,000	2,000	5,000
Deduction	-2,000	-5,000	NA	NA
Taxable income	20,000	20,000	22,000	25,000
Tax before credit	4,380	4,380	5,020	6,020
Credit (25 percent)	NA	NA	-500	-1,250
Net tax	4,380	4,380	4,520	4,770

Efficient allocation of resources

A second goal of tax policy is to promote an efficient allocation of the Nation's resources. One reason for providing a tax allowance for education expenses may be the belief that the Nation is spending too little on education, and that encouraging more spending in this area would produce net gains for society. From a social point of view, a less than optimal amount of spending for education may result if the potential gains to society from education are greater than the gains to students; that is, if society captures some of the benefits. The social benefits of education tend to be disregarded by students when they decide whether to pursue their education. Thus, it is possible that too few students go to school because the benefits to them of additional education are outweighed by the costs to them even though, from society's point of view, the benefits to society or to the economy as a whole would far outweigh the costs.

It is difficult to determine whether society would gain from spending more on higher education at the expense of other forms of investment. Such a determination requires the weighing of all relevant benefits and costs involved with directing limited resources away from other activities into education. Many of these costs and benefits are intangible and extremely difficult to measure accurately. For example, while education may provide social benefits by producing a better informed electorate and by reducing the crime rate, it may also result in social costs of foregone benefits because of less investment in areas such as health care and energy research and development.

Even if additional spending for education is considered socially beneficial, it is not clear that providing an equal tax subsidy for all types of formal education will transfer resources to their most productive use. It may be that subsidizing some forms of education would produce social gains while subsidizing other types of education would not. During the post-Sputnik era, for example, the Federal aid concentrated on scientific education suggests that gains from increased investment in this area were thought to be large. On-the-job training is a very important form of education that may produce significant social benefits; yet, it would not be subsidized by tax allowances focused on more formal academic education.

If more investment in higher education is deemed socially desirable, it is not clear that a tax credit for all families is an effective incentive for more students to attend school (though it would, of course, provide financial assistance to many families). Total investment in higher education is most likely to increase if the subsidy is targeted on those who are at the margin of a decision as to whether to attend college or not. Those families who are financially most in need are most likely to be affected by the credit. In the case of a tax credit that is not limited to those in need, a wealthy family that receives it may not be any more likely to send their children to school or to increase the amount of money spent on higher education. The credit then would not increase educational spending, but would merely provide these families with "windfall" funds for use on consumption items not related to education.

Tax simplification

The Treasury Department testified that adoption of a tax credit for education expenses would not be consistent with tax simplification. The passage of such a credit would increase the overall number of credits and would require a new tax schedule. Moreover, it was stressed that this type of credit necessarily requires greater record-keeping by the taxpayer and/or the Internal Revenue Service, particularly when the legislation provides for some lifetime maximum credit for each taxpayer.

The Administration also argued that a tax credit for education expenses is inconsistent with plans to consolidate and simplify programs of Federal assistance for higher education. The tax credit would introduce a new program, but more importantly it would be administered by IRS, and not by HEW—the agency responsible for trying to bring some consistency and rationality to the existing education program structure.

IMPACT ON TUITION CHARGES

The issue was raised at the hearings that educational institutions might increase tuition charges and other fees in response to the adoption of a tax credit for education expenses. Such a response would reduce or eliminate the student aid benefits provided by the program and could result in a net increase in costs for any student not qualifying for the credit. If institutional charges were increased by the full amount of the credit, higher net costs also would be incurred by families who could not claim the full credit.

Testimony relating to this issue reflected the opinion that neither publicly supported institutions nor independent institutions would pursue a policy of raising charges in response to a tuition tax credit. Some witnesses expressed the view that the pricing policies of most public institutions are designed to insure access for a large number of students. Their view was that unwarranted tuition increases would adversely affect access and thus would be viewed by public institutions as measures to be adopted only in extraordinary situations. Independent institutions also were considered not likely to raise tuitions. The opinion was that administrators do not act as profit maximizers, and in any event unilateral action by independent institutions would worsen their competitive position relative to public institutions.

Aside from views such as those expressed at the hearings, there is little evidence on how institutions would be likely to respond to the introduction of an education tax credit. Institutions must balance a variety of competing pressures in deciding whether to increase tuitions, and the relative strengths of these pressures will differ from one institution to another and from one time to another.

As a general proposition, however, it is clear that tuition charges are likely to increase more in response to a broad across-the-board subsidy than to a more narrow subsidy. Most tax credit proposals are substantially less targeted than are the existing student aid programs which are based on need. When only a limited number of students are subsidized, colleges cannot capture a large share of the subsidy by increasing tuition without driving away some unsubsidized students.⁶ When all or almost all students are subsidized, however, this constraint is substantially diminished. With all students or their families receiving extra income from the subsidy, resistance to tuition increases would be reduced, and colleges would face a smaller risk of losing students as a result of the increase.

Whether this opportunity would be fully exploited is less certain. There are certainly significant pressures for tuition increases. Higher education costs have increased substantially in recent years. In addition, with the last of the post-war baby boom generation now largely through college, enrollments have been declining. Fixed costs must now be distributed over a smaller number of students, increasing the average per-student cost of education.

At the same time, those institutions faced with diminishing enrollments may want to obtain an advantage in the competition for students. They might, therefore, keep their tuition costs low even though other institutions were raising theirs in response to tuition subsidies.

EFFECT ON THE COMPETITIVE BALANCE BETWEEN PUBLIC AND INDEPENDENT INSTITUTIONS

Much concern was expressed at the hearings, especially by Congressman Barber B. Conable,⁷ about the survival of a plural system of higher education which provides a choice between publicly supported and private or independent institutions. Some witnesses expressed the view that tax credits for higher education expenses would provide a

⁶ In 1973, the National Commission on the Financing of Postsecondary Education reported findings which indicated that, in response to a \$100 increase in tuition, enrollments would decline by 1 percent to 3 percent. See National Commission on the Financing of Postsecondary Education, *Financing Postsecondary Education in the United States*, Government Printing Office, Washington, D.C. (1973), p. 311.

⁷ See printed hearings, pp. 19-20.

practical means of stabilizing enrollments between the two higher education sectors. Others cautioned that this form of relief might undermine the competitive position of independent institutions.

The tuition charged by publicly supported institutions is substantially less than that charged at most independent institutions. The difference, or "tuition gap," is a primary focus of those concerned with the plight of nonpublic higher education. Increases in the tuition gap are viewed as threats to the survival of independent institutions. Education tax credits can alter the tuition gap, but the impact on the competitive balance will depend on the design of the credit.

Several witnesses said that a tuition credit of the sort most often proposed would not alter the tuition gap because the credit would be available to students attending public institutions as well as to those enrolled at private ones. Other witnesses pointed out, however, that while the *absolute* difference in tuitions would not be affected, the *relative* difference could be altered in a manner that would adversely affect the position of independent institutions. Consider the case of an independent institution charging \$2,000 in tuition and a publicly supported institution charging \$1,000. The tuition gap is \$1,000, and tuition at the private school is twice as high as tuition at the public school. If a \$500 tax credit is introduced, the net charge at the private and public institutions would be \$1,500 and \$500, respectively. The absolute difference is still \$1,000, but the tuition at the private school is now three times as high. Such a change in the relative cost of tuition could weaken the competitive position of independent institutions.

The size of a credit may also affect the choice made by a student. Almost all publicly supported institutions of higher education charge less than \$1,000 for tuition and many charge less than \$500. The adoption of a \$500 tax credit for education expenses would result in free tuition for about 70 percent of all public institution students and half-priced tuition for another 30 percent. Opponents of the credit contend that such a result would seriously jeopardize the position of independent institutions.

Some of these effects can be altered by changing the design of the tax credit. One possibility that was suggested is to provide a credit equal to a fraction of expenses. This approach would generally reduce the tuition gap and would not worsen the relative price difference between institutions. Moreover, if a floor (of say \$1,000) were incorporated, the result would be a narrowing in both the absolute and relative difference in tuitions at public and independent schools. In the above example, a tuition credit of 50 percent for expenses above \$1,000 would reduce from \$2,000 to \$1,500 the tuition charged by the independent institution. Compared to the publicly supported tuition of \$1,000, the tuition gap is reduced from \$1,000 to \$500, and the tuition at the independent school is decreased from 2 to 1.5 times the tuition at the public institution.

Recently, new evidence has emerged that casts some doubt on the view that the competitive position of independent institutions is declining. A study sponsored by the Association of American Colleges⁸ concluded that contrary to widespread belief, independent institutions are holding their own in competition with their public counterparts.

⁸ W. John Minter, and Howard R. Bowen, "Private Higher Education, Third Annual Report on Financial and Educational Trends in the Private Sector of American Higher Education," Association of American Colleges (May 1977).

According to the study, four-year independent colleges have shown stability in enrollment, finances, and quality of academic offerings. Moreover, the number of these institutions has increased since 1969.

PROBLEMS OF ADMINISTERING AN EDUCATION TAX CREDIT PROGRAM

Two drastically different views were expressed at the hearings concerning the problems of administering an education tax credit program. Proponents of the credit argued that the simplicity of its design would make administration easy and that the existence of the tax structure and the IRS administrative mechanism would obviate the need to establish a new program and associated bureaucracy. Those opposing a tax credit for education expenses emphasized that the IRS is not particularly skilled at making the sort of evaluations required for effective monitoring of an education subsidy program.

The tax system may be an efficient mechanism for distributing subsidy payments when the subsidies are generally available to most taxpayers and when the distribution does not involve evaluations uncommon to the system. Under these conditions, the task imposed upon the tax system and the IRS is similar in character to routine functions such as the distribution of refund checks. When the subsidy does not have these features, however, the tax system loses its ability to operate effectively as a distribution mechanism.

While most education tax credit proposals embody a seemingly simple formula for determining the amount of relief that can be claimed by a taxpayer, factors other than expenses are generally introduced that tend to restrict the eligibility of taxpayers or expenses. Such limiting factors often include restrictions on the type of training and expenses that are qualified for the credit. For example, qualified training may be restricted to courses that lead to a recognized degree while expenses may be limited to tuition and other expenses related to instruction but not including living costs. In such cases, the effective monitoring of the program requires careful evaluation of the nature of courses and expenses claimed. While the IRS has had some experience in making this type of evaluation with regard to business deductions for education expenses, the evaluations required by many tax credit proposals may be more complex. This suggests that IRS administration of a tax credit program could prove fairly difficult.

Even when an education tax subsidy involves few restrictions requiring the careful evaluation of specific claims, the plan still can pose administrative problems for the IRS. For example, proposals to allow taxpayers to defer or postpone a portion of their tax liability to finance current education expenses generally would involve a substantial recordkeeping burden. Such proposals often impose a lifetime and annual limit on the amount of deferral that can be claimed for each student. Also, repayment of the deferred taxes is generally spread out over many years. To monitor such a program effectively, the IRS would have to maintain records for a period longer than its computer system is currently equipped to handle.

EFFECT ON SUPPORT OF EXISTING AID PROGRAMS

Concern was expressed at the hearings that the adoption of a tax credit or other new tax subsidy for education expenses would erode

support for existing student aid programs which provide direct assistance in the form of grants and loans. Current tax expenditures for education, such as the student exemption and the exclusion of fellowships and scholarships, are not based on cost of attendance and thus are somewhat different in character from the direct aid programs. They also have less visibility than a new tax expenditure might have. These differences lessen the potential competition between these tax expenditures and the direct aid programs. However, a new tax expenditure which is directly related to the cost of attendance is more likely to be viewed as an alternative to existing programs of direct aid, especially as the new program expands.

A Congressional view of this issue, as represented by those testifying at the hearings, was that the introduction of a tax credit for education expenses would not erode support for existing student aid programs. In support of this view, it was stressed that the tax credit approach is intended primarily to aid students who are not eligible for assistance under current need-based programs of aid. That is, the group targeted for benefits under a tax credit program would be students from middle and higher income groups. Since the tax credit approach generally would not aid low-income families in need of assistance, the current needs-based programs of aid would not be abandoned.

Some outside witnesses expressed an opposing view. They indicated the possibility that over time pressures would grow to raise the amount of the tax credit that could be used to offset education expenses. If such increases were adopted and were sufficiently large to cover a major portion of the costs of attendance, the program conceivably could make adequate funding for other education programs less likely and might come to be viewed as an all-purpose vehicle for distributing all Federal aid to students. If tax expenditures are viewed as less vulnerable to the budget process than are budget outlays, the possibility of this occurring might be increased despite the fact that the new budget procedures place more emphasis on reviewing tax expenditures along with direct spending programs.

THE REVENUE LOSS FROM EDUCATION TAX ALLOWANCES

Concern was expressed at the hearings about the revenue loss that would result from adoption of an education tax allowance. Such allowances result in larger deficits or, alternatively, require additional tax revenue to be raised or reductions to be made in other types of Government spending. They also leave less room to introduce other new spending programs or to adopt tax reforms that lower taxes.

The first full-year revenue cost of the proposals offered by the Congressmen and Senators participating in the hearings would range from \$1 billion to \$8 billion. Some witnesses expressed the view that the revenue loss from education tax allowances eventually would be offset or possibly turned into a revenue gain by additional tax payments from those whose incomes were increased because of more education. Others noted that the revenue losses might rise substantially in response to pressures to increase the size of the tax allowance.

ALTERNATIVE PROGRAMS OF AID FOR MIDDLE-INCOME FAMILIES

Opponents of specific education tax credit proposals frequently offered suggestions for modifying the plans or recommended alternative

approaches to assist middle-income students. These suggestions were usually presented as ways to reduce the cost of specific proposals or to address deficiencies of the tax credit approach.

Directing benefits to multi-student families

The modification that was most frequently raised for discussion by Chairman Paul Simon was a suggestion to vary the credit according to the number of children enrolled in school. Specifically, it was suggested that a reduced benefit or perhaps nothing might be given to families with only one child in school. Families supporting more than one student would be treated similarly with respect to the first child but would be given a larger credit for each of the other children. This approach would direct most of the relief to families experiencing the extraordinary hardship of simultaneously financing more than one education. Advocates of this modified approach also emphasized that its adoption could produce substantial program savings since about one in seven families with children attending college full time have more than one child in college at the same time. Alternatively, the overall cost could be kept the same, but significantly larger benefits could be provided for families with more than one student in school.

The cost-saving merit of this approach was acknowledged in the comments of witnesses. However, several objections were raised. Focusing most of the benefits on families supporting two or more students was not considered equivalent to providing benefits according to need. Many moderate-income families with only one child in school might be more in need than some wealthier families supporting several students. Also, this approach would not provide much help for families who have to sacrifice for many years to support children attending school back-to-back. Having one child follow another through school was considered by some to pose hardships equal to that of simultaneously supporting more than one student.

Tax deferrals

One of the programs offered as an alternative to a tax credit for education expenses was to allow taxpayers to defer a portion of their tax liability based on their education expenses. Repayment of the deferred taxes would be made over a number of years beginning some time after the students ended their education. This "tax loan" could be offered either interest free or at a low interest charge. Both the payback period and interest charge could be based on considerations of budget cost and family relief.

It was emphasized that this approach could provide substantially more immediate relief for families at the same or less cost to Treasury over time than that associated with most tax credit plans. This larger amount of temporary relief would be more meaningful to families facing financing pressures related to education expenses. Initially, the deferral plan would cost more if the size of the deferral were larger than the credits generally considered. The annual net cost to the Treasury, however, would decline substantially as more and more taxpayers begin to repay their deferred taxes. If an interest

charge were attached to this tax loan, the Treasury could ultimately experience a net revenue gain. Finally, since parents rather than students would generally be liable for the tax loan, the expected default rate in the loan would likely be less than that associated with current students loans.

Critics of the tax deferral approach to education subsidies emphasized that it shared many of the shortcomings associated with education tax credits and that there was no compelling reason why loans should be provided through the tax system. Relatively more of the benefits would go to wealthier families who have sufficient tax liabilities to take advantage of the larger family benefits associated with the plan. Also, the plan would be difficult for the IRS to administer. A tax deferral program would require recordkeeping from the time the deferral is taken to the time it is repaid. If repayment began after graduation and extended over a 10-year period, the plan would involve 14 years of recordkeeping. This is substantially more than the IRS computer system is designed to accommodate. The burden of recordkeeping would also be borne by the taxpayer and would add to the complexity of tax returns.

Expansion of grant and loan programs

Many witnesses opposed using the tax system in any way to provide subsidies for education. They emphasized that programs of education tax allowances generally do not direct the benefits to those in need. This results in unnecessary costs which reduce the amount of benefits that can be provided to the needy. Attempts to design tax programs which are limited in scope generally result in a complicated set of restrictions that are difficult for the IRS to administer.

Those opposing the tax-subsidy approach generally agree that any additional money for student aid should be spent on an expansion and refinement of current grant and loan programs. The direct assistance approach is frequently viewed as a superior vehicle for distributing funds to the needy. The benefits of these programs generally go directly to the student rather than to parents, and thus are less likely to result in reduced family support. Also, direct assistance programs are considered easier to administer than tax subsidies since the evaluation of eligibility criteria associated with the targeting of benefits would be done by specialists.

Proponents of the direct assistance approach noted that the Education Amendments of 1976 extended the benefits of current grant and loan programs to families in higher income classes. Specifically, the ceiling on family income eligible for an "in school" interest subsidy under the Guaranteed Student Loan Program was raised from \$15,000 to \$25,000. (A "family income" of \$25,000 corresponds to an adjusted gross income of about \$31,000.) As a result, about 85 percent of all students will become eligible. Also, the maximum award under the Basic Educational Opportunity Grants program was raised from \$1,400 to \$1,800 although appropriations for fiscal year 1978 will effectively impose a ceiling of \$1,600. This increase in the maximum award (to \$1,600) is expected to add to the program roughly 160,000

new recipients, with 85,000 having family incomes above \$15,000. It was suggested that further adjustments of this sort might be explored for the purpose of providing the same amount of Federal aid to middle-income students that would be provided by education tax allowances.

Witnesses opposing the direct subsidy approach generally expressed dissatisfaction with the performance or character of existing grant and loan programs. Low participation rates for grant programs and high default rates for loan programs were advanced as two major criticisms. The view was also expressed that extending these programs to more middle-income families would not be successful because of the stigma attached to needs-tested subsidies and the burdensome nature of the application process.

CHAPTER VII—ALTERNATIVE POLICIES

The hearings before the Task Force on Tax Expenditures, Government Organization, and Regulation and material prepared in connection with the hearings suggested a number of tax and nontax ways to provide student aid. They are set forth here for consideration by the Committee on Ways and Means and the Committee on Education and Labor.

GUARANTEED STUDENT LOANS

Improvements in the Guaranteed Student Loan Program (GSLP)¹ would be one nontax alternative that would provide more aid to middle-income students. This program, which currently provides loans at 7 percent interest, was instituted in 1965 primarily to assist middle-income students. In the Education Amendments of 1976, the benefits of this program were extended to students in higher income brackets. Specifically, the family income ceiling for eligibility was raised from \$15,000 to \$25,000. (A "family income" of \$25,000 corresponds to gross income of approximately \$31,000.) As a consequence, about 85 percent of all students are expected to be eligible for the program. An increase in the eligibility ceiling to \$50,000 would sweep in another 10 percent or more of all students to reach about 95 percent. The 1976 amendments also raised from \$10,000 to \$15,000 the total amount that may be borrowed for combined undergraduate and graduate training.

The two major problems with the Guaranteed Student Loan Program are (a) an inadequate supply of funds by lenders and (b) a high default rate.

Studies done for the Office of Education indicate that the major factor affecting the availability of funds and the number of participating lenders in the program is the high cost of complying with administrative procedures. The costly filing of Federal forms substantially reduces the net return on student loans.² This lowered profitability reduces the attractiveness of these loans, and banks (primarily small- and medium-size lenders) have responded either by dropping out of the program or by severely limiting the volume of student loans in their portfolios.

An increase in the net return on student loans could have a significant impact on the availability of funds. An increase in the net rate of return to banks could be accomplished by increasing the rate charged to students, by raising the special allowance provided by the Government, or by reducing the lenders' administrative costs. Increases in the rates charged to students and larger special allowances

¹ The other major student loan program, National Direct Student Loans (NDSL), is aimed primarily at students from lower income families. The Guaranteed Student Loan Program, which already provides substantial aid to students from middle-income families, may therefore be a more appropriate vehicle if increased aid for middle and higher income families is desired.

² In addition to the 7 percent rate paid by borrowers of these loans, the Federal Government pays a "special allowance" when market interest rates are high. This allowance is related to the rate on Treasury securities and can be as large as 5 percent. Currently, the special allowance is about 1.5 percent, resulting in a gross return to banks of 8.5 percent.

for lenders have been considered in the Congress. The Office of Education has been implementing some procedures to reduce administrative costs, such as centralization and automatization of record-keeping and report filing.

Another approach which might help to maintain lender participation is to increase the number of State guarantee agencies. Currently, 25 States have such agencies which administer guaranteed loans in their States and share responsibility for default payments with the Federal Government. Because they are able to maintain closer contact with the banks in their States, they are more successful than the Federal Government in encouraging participation in the program. The Education Amendments of 1976 provided financial incentives for States to establish such agencies by increasing the Federal share of default payments and by providing Federal reimbursement for collection and administrative costs.

The high default rate associated with the Guaranteed Student Loan Program appears to be due primarily to the difficulty of locating students after they leave school. In the 1976 education amendments, steps were taken to correct this problem. Specifically, legal sanctions were imposed on students for failure to report changes of address to the lending bank. In turn, banks were required to report addresses of borrowers to the Office of Education for the purpose of aiding in the search for defaulters.

A factor affecting the difference in default rates among States is the diligence of banks in collecting delinquent loans before seeking reimbursement from the Government. In general, default rates appear to be lower in those States which have established their own guarantee agency. Many of these States require substantial collection efforts by banks before default payments are made. Also, these State agencies strongly encourage the banks to stress to the student borrowers that the loans are expected to be repaid.

TAX DEFERRAL FOR EDUCATION EXPENSES

A tax deferral of some sort would provide a subsidy through the tax system. Since a deferral is in substance nothing more than a loan, this approach might be preferable to a tax credit because the deferral can provide more short-term aid at smaller long-term cost to the Treasury.

The benefit of using the tax structure for this purpose is that default rates may be lower since the liability involved is for Federal income tax. In most cases, the liability would be that of the parents who as a general rule would be more stable debtors.³ Also, the IRS is endowed with an imposing array of forcible collection tools, and they may be used without resort to the courts. However, providing tax loans would pose administrative problems for the IRS because of the very large recordkeeping burden.

One way to reduce costs and provide a more precise focusing of benefits is to provide smaller per-student deferrals for families with only one child in school. Also, the size of the deferral could be reduced by some percentage of the taxpayer's adjusted gross income above

³ Making parents responsible for student loans may not be consistent with the current intent of the Congress in this area. In the Guaranteed Student Loan Program, for example, the Congress has indicated that it does not intend parents to be held responsible for student loans since such a practice is considered discriminatory against low-income families.

some specified level. If such refinements were thought to add unduly to the complexity of the program, they could be abandoned at the expense of larger Federal revenue losses.

BASIC EDUCATION OPPORTUNITY GRANTS

Another nontax alternative would be an expansion of grant programs. The Basic Education Opportunity Grant (BEOG) is such a program currently focused on low- and moderate-income families. It could be expanded by (1) raising the maximum BEOG award and (2) altering the formula for determining the financial need of students.

In the Education Amendments of 1976, the maximum grant was raised from \$1,400 to \$1,800 although appropriations for fiscal year 1978 will effectively impose a ceiling of \$1,600. This increase in the maximum award (to \$1,600) is expected to add 160,000 new recipients, 85,000 of whom are from families with incomes above \$15,000, and will increase the cost about \$175 million. If the maximum award were raised to \$2,100, an additional 690,000 students would be added, about 60 percent of whom would come from families with incomes above \$15,000. The total cost of the program would be about \$2.7 billion in fiscal year 1978 (assuming 85 percent student participation).

Other changes, such as liberalization of the determination of need, would distribute more funds to middle-income students. Currently, 20 percent of the first \$5,000 of family income and 30 percent of family income above \$5,000 is one component of a family's expected contribution. This assumed family contribution could be reduced, especially for family income above \$5,000. If no additional funds were made available and the maximum award were not changed, the result of liberalizing the determination of need would be to distribute a greater share of the BEOG funds to middle-income students.

OTHER STUDENT AID PROGRAMS

Another way to provide more aid to middle-income families without distributing it through the tax system would be to appropriate additional funds for Supplemental Grants, Direct Loans, and Work-Study Programs—the other major student assistance programs. However, only one-third of the benefits from these needs-tested programs are now allocated to families having income of \$10,000 or more,⁴ and it is difficult to estimate how additional funds would be distributed. Thus, without a large increase in program costs or firmer directions from the Congress to aid families with much higher income, little assistance is likely to reach those much beyond \$15,000 in income. Expansion of these programs, then, seems to be a less efficient means for aiding middle-income families than either Basic Grants or Guaranteed Loans.

AMORTIZATION OF EDUCATION EXPENSES

There is one form of tax allowance for the personal costs of higher education that has support among tax theorists. It would give an allowance to the students (regardless of who pays for the education) in

⁴ Congressional Budget Office, "Postsecondary Education: The Current Federal Role and Alternative Approaches," Budget Issue Paper (February 1977, p. 56).

the form of deductions against gross income earned after graduation. This treatment refines the definition of taxable income in a manner consistent with the principle that the costs of earning income (in this case education expenses) should not be taxed. This treatment of education expenses would then parallel for tax purposes the current treatment of capital expenditures which may be depreciated over the useful life of the asset.

This treatment of education expenses would involve some problems. Theoretically, students should not be given deductions for education expenses which resemble consumption more than investment outlays. For example, courses in music appreciation might not add to the professional skills of a pre-law student. Substantial difficulties and inequities would arise in making this type of distinction for different types of education courses and for different students. This approach also involves much more recordkeeping than the current treatment of most capital assets. The deductions would not begin until the student began earning an income—usually a substantial time after the costs were incurred. In many cases, both parents and students would have incurred costs, and the student would be required to keep both records. In addition to these administrative shortcomings, this approach would not provide any immediate assistance to finance the current costs of education. This liquidity problem would be handled better by loans or tax deferrals. Providing students with future tax deductions for current education expenses might, however, make it easier for them to obtain loans to finance these current costs.

TAX CREDITS

If the Congress chooses to use the tax system to provide a grant (rather than a loan) for education expenses, then some form of tax credit could be adopted. As discussed in Chapter II, tax credits can be designed to cover different amounts and types of education expenses and may be focused on specific groups of students. The design of the program could also take into account potential problems discussed at the hearings.

For example, if it were thought important to avoid placing independent institutions at a relative disadvantage, the credit could be restricted to expenditures above some floor (perhaps \$500 or \$1,000). To lessen the likelihood of institutional increases in student charges, the credit could be limited to some fraction (perhaps 50 percent) of expenses. The directing of benefits to students with greater need might be accomplished by reducing the size of the credit when adjusted gross income exceeds some specified level (perhaps \$25,000). A substantial reduction in program costs could be achieved by providing only a limited credit (perhaps \$100) for the first child that a family has enrolled in school, with larger credits for each additional child in school at the same time.

THE GI BILL APPROACH

If the Congress wishes to provide grants to all students without distributing the aid in the form of tax allowances, it could do this through a program similar to the GI bill, which provides education benefits for veterans.

The GI bill currently providing virtually all of the veterans' benefits was enacted in 1966 and covers those who served during the period January 1956 through December 1976.⁵ It provides up to 45 months of benefits for veterans enrolled in approved courses of instruction. Under this program, the veteran receives a monthly education assistance allowance that is intended to meet in part his living expenses as well as his education costs. The amount of the allowance depends on the number of dependents that the veteran has and on whether he attends school full time or part time. Currently, those with no dependents who attend school full time receive \$296 per month. Eligibility for these benefits extends for a period of 10 years after separation from service.

This type of program—that is, general availability of higher education grants—could be adopted for nonveteran students as well. For instance, every student (upon acceptance to an approved program of instruction) could become eligible for 45 monthly payments of \$100 to be used to finance education and living expenses (for approximately 5 years of school). To provide some flexibility in the program, a 10-year eligibility period could be adopted, beginning when the individual reaches 18 years of age or when he graduates from secondary school, whichever comes earlier. This would allow individuals to take a job for a few years before attending school if they choose to do so.

The cost of this type of program would depend on the level of monthly benefits and on whether part-time students were covered. If only full-time students were provided with \$100 per month, the program would cost roughly \$6.2 billion.⁶ If part-time students were included on a prorated basis, the cost of the program would be about \$7.5 billion.⁷ If more than \$100 were provided per month, the cost of the program would rise accordingly.

The major potential problem with this program would be that some students might enroll in school to qualify for the monthly allowance and then fail to make satisfactory progress or effectively withdraw from school by not attending any classes or performing the course work. This problem might be addressed by requiring students to submit monthly verifications of satisfactory student status. Such verifications could be obtained by designing the checks which the student receives so that the endorsement of the check would provide verification subject to prosecution for perjury. The check might also require the signature of a designated school official. Currently, the GI bill education program requires quarterly certifications to be made. Such certifications reduce the amount of fraud in the program although some fraud inevitably persists.

⁵ The first GI bill providing general education benefits was passed in 1944 and covered those who served between 1940 and 1947. The second GI bill, enacted in 1952, provided education benefits to those who served between 1950 and 1955. The most recent GI bill was passed in October 1976 and covers those entering the service after Dec. 31, 1976. This program differs from the previous programs in that those wishing to participate must make contributions while they are in service. The Government matches each dollar of contributions with \$2 of Government funds.

⁶ CBO estimates based on National Center for Education Statistics' estimates of 1978 enrollments. The cost of the program could rise substantially if the payments induced many people to go to school who would not otherwise enroll.

⁷ *Op. cit.*

APPENDIX—EDUCATION TAX ALLOWANCE PROPOSALS INTRODUCED IN THE 95TH CONGRESS

This appendix provides a listing of the proposals for education tax allowances introduced in the 95th Congress.

BILLS INTRODUCED IN THE 95TH CONG. TO PROVIDE TAX ALLOWANCES FOR HIGHER EDUCATION EXPENSES

Bill No.	Description	Principal sponsor	Date
HOUSE BILLS			
H.R. 14.....	Tax credit: expenses for higher education and vocational training.	Lo Fania, Democrat, of New Jersey.	Jan. 4, 1977
H.R. 62.....	Tax credit: higher education expenses and savings plan.	Wylie, Republican, of Ohio.....	Do.
H.R. 127.....	Tax credit: higher education expenses.....	Ambro, Democrat, of New York.	Do.
H.R. 165.....	Tax credit: higher education tuition expenses and charitable gifts or contributions.	Ashbrook, Republican, of Ohio.....	Do.
H.R. 213.....	Tax credit: higher education expenses.....	Brinkely, Democrat, of Georgia.	Do.
H.R. 296.....	do.....	Conte, Republican, of Massachusetts.	Do.
H.R. 302.....	Tax credit: higher education savings plan.....	do.....	Do.
H.R. 491.....	Tax credit: higher education expenses.....	Lent, Republican, of New York.....	Do.
H.R. 564.....	do.....	Minish, Democrat, of New Jersey.	Do.
H.R. 584.....	do.....	Quie, Republican, of Minnesota.	Do.
H.R. 660.....	do.....	Robinson, Republican, of Virginia.	Do.
H.R. 730.....	do.....	Alexander, Republican, of Arkansas.	Do.
H.R. 817.....	do.....	Coughlin, Republican, of Pennsylvania.	Do.
H.R. 982.....	do.....	Moorhead, Republican, of California.	Do.
H.R. 1072.....	Tax deduction: higher education tuition expenses.	Murphy, Democrat, of New York.	Do.
H.R. 1075.....	Tax deduction: higher education savings plan.....	do.....	Do.
H.R. 1344.....	Tax credit: higher education expenses.....	Stratton, Democrat, of New York.	Do.
H.R. 1371.....	do.....	Wolf, Democrat, of New York.	Do.
H.R. 1585.....	Tax deduction: higher education savings plan.....	Fish, Republican, of New York.....	Jan. 10, 1977
H.R. 1636.....	do.....	Carney, Democrat, of Ohio.....	Jan. 11, 1977
H.R. 1668.....	do.....	Eilberg, Democrat, of Pennsylvania.	Do.
H.R. 1669.....	Tax credit: higher education expenses.....	do.....	Do.
H.R. 1692.....	do.....	O'Brien, Republican, of Illinois.	Do.
H.R. 1961.....	Tax deferral: expenses for higher education and vocational training.	Mikva, Democrat, of Illinois.....	Do.
H.R. 2017.....	Tax credit: higher education expenses.....	Boland, Democrat, of Massachusetts.	Jan. 19, 1977
H.R. 2168.....	do.....	Roe, Democrat, of New Jersey.....	Do.
H.R. 2686.....	do.....	Collins, Republican, of Texas.....	Jan. 31, 1977
H.R. 2687.....	Tax credit: higher education tuition expenses.....	de la Garza, Democrat, of Texas.	Do.
H.R. 2698.....	Tax credit: higher education expenses.....	Duncan, Republican, of Tennessee.	Do.
H.R. 2771.....	Refundable tax credit: higher education expenses.	Broomfield, Republican, of Michigan.	Feb. 1, 1977
H.R. 3268.....	Tax deferral: expenses for higher education and vocational training.	Mikva, Democrat of Illinois.....	Feb. 8, 1977
H.R. 3269.....	do.....	do.....	Do.
H.R. 3403.....	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat, of New York.	Feb. 9, 1977
H.R. 3642.....	Tax credit: higher education expenses.....	Coughlin, Republican, of Pennsylvania.	Feb. 17, 1977
H.R. 3643.....	do.....	do.....	Do.
H.R. 3676.....	Tax deferral: expenses for higher education and vocational training.	Mikva, Democrat, of Illinois.....	Do.
H.R. 4061.....	do.....	Zaferretti, Democrat, of New York.	Feb. 24, 1977
H.R. 4350.....	do.....	Horton, Republican, of New York.	Mar. 2, 1977
H.R. 4459.....	Tax credit: higher education tuition expenses.....	Schulze, Republican, of Pennsylvania.	Mar. 3, 1977
H.R. 4862.....	Tax credit: higher education expenses.....	Thone, Republican, of Nebraska.	Mar. 10, 1977

BILLS INTRODUCED IN THE 95th CONG. TO PROVIDE TAX ALLOWANCES FOR HIGHER EDUCATION EXPENSES—Con.

Bill No.	Description	Principal sponsor	Date
HOUSE BILLS—Con.			
H.R. 4913	do.	Edwards, Republican of Alabama.	Mar. 14, 1977
H.R. 4938	do.	Hammerschmidt, Republican of Arkansas.	Do.
H.R. 5088	do.	McDade, Republican of Pennsylvania.	Mar. 15, 1977
H.R. 5313	do.	Corcoran, Republican of Illinois.	Mar. 22, 1977
H.R. 5318	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	Do.
H.R. 5471	Tax credit: higher education tuition expenses.	Crane, Republican of Illinois.	Mar. 23, 1977
H.R. 5819	Tax deduction: higher education tuition expenses.	Kindness, Republican of Ohio.	Mar. 30, 1977
H.R. 6081	Tax credit: expenses for higher education and vocational training.	Le Fante, Democrat of New Jersey.	Apr. 5, 1977
H.R. 6082	do.	do.	Do.
H.R. 6128	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	Apr. 6, 1977
H.R. 6176	Tax credit: higher education expenses.	Wydlar, Republican of New York.	Do.
H.R. 6301	do.	Corcoran, Republican of Illinois.	Apr. 19, 1977
H.R. 6382	do.	Coughlin, Republican of Pennsylvania.	Apr. 20, 1977
H.R. 6445	do.	Thone, Republican of Nebraska.	Do.
H.R. 6630	Tax credit: higher education expenses; Tax deduction: education savings plan.	Lujan, Republican of New Mexico.	Apr. 26, 1977
H.R. 6631	Tax deferral: expenses for higher education and vocational training.	Mikva, Democrat of Illinois.	Do.
H.R. 6744	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	Apr. 28, 1977
H.R. 6748	Tax credit: higher education expenses.	Harris, Democrat of Virginia.	Do.
H.R. 7075	do.	do.	May 10, 1977
H.R. 4862	do.	Thone, Republican of Nebraska.	Mar. 10, 1977
H.R. 4913	do.	Edwards, Republican of Alabama.	Mar. 14, 1977
H.R. 4938	do.	Hammerschmidt, Republican of Arkansas.	Do.
H.R. 5088	do.	McDade, Republican of Pennsylvania.	Mar. 15, 1977
H.R. 5313	do.	Corcoran, Republican of Illinois.	Mar. 22, 1977
H.R. 5316	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	Do.
H.R. 5471	Tax credit: higher education tuition expenses.	Crane, Republican of Illinois.	Mar. 23, 1977
H.R. 5819	Tax deduction: higher education tuition expenses.	Kindness, Republican of Ohio.	Mar. 30, 1977
H.R. 6081	Tax credit: expenses for higher education and vocational training.	Le Fante, Democrat of New Jersey.	Apr. 5, 1977
H.R. 6082	do.	do.	Do.
H.R. 6128	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	Apr. 6, 1977
H.R. 6176	Tax credit: higher education expenses.	Wydlar, Republican of New York.	Do.
H.R. 6301	do.	Corcoran, Republican of Illinois.	Apr. 19, 1977
H.R. 6382	do.	Coughlin, Republican of Pennsylvania.	Apr. 20, 1977
H.R. 6445	do.	Thone, Republican of Nebraska.	Do.
H.R. 6630	Tax credit: higher education expenses; Tax deduction: education savings plan.	Lujan, Republican of New Mexico.	Apr. 26, 1977
H.R. 6631	Tax deferral: expenses for higher education and vocational training.	Mikva, Democrat of Illinois.	Do.
H.R. 6744	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	Apr. 28, 1977
H.R. 6748	Tax credit: higher education expenses.	Harris, Democrat of Virginia.	Do.
H.R. 7075	do.	do.	May 10, 1977
H.R. 7208	Tax credit or deduction: higher education tuition expenses.	Gaydos, Democrat of Pennsylvania.	May 16, 1977
H.R. 7294	Tax deferral: higher education expenses.	Vento, Democrat of Minnesota.	May 18, 1977
H.R. 7503	Tax credit or deduction: education expenses.	Delaney, Democrat of New York.	June 1, 1977
H.R. 7534	Tax credit: higher education expenses.	Thone, Republican of Nebraska.	Do.
H.R. 7648	Tax credit or deduction: higher education tuition expenses.	St Germain, Democrat of Rhode Island.	June 7, 1977
H.R. 7660	Tax credit: higher education tuition expenses.	Corcoran, Republican of Illinois.	June 8, 1977
H.R. 7789	Tax credit or deduction: higher education tuition expenses.	Stratton, Democrat of New York.	June 14, 1977
H.R. 7883	do.	Forsythe, Republican of New Jersey.	June 20, 1977
H.R. 7908	do.	Delaney, Democrat of New York.	June 21, 1977
H.R. 7936	do.	Broomfield, Republican of Michigan.	June 22, 1977

BILLS INTRODUCED IN THE 95th CONG. TO PROVIDE TAX ALLOWANCES FOR HIGHER EDUCATION EXPENSES—Con.

Bill No.	Description	Principal sponsor	Date
HOUSE BILLS—Con.			
H.R. 8086	Tax credit: higher education tuition expenses.	Corcoran, Republican of Illinois.	June 29, 1977
H.R. 8345	Tax credit or deduction: higher education tuition expenses.	Delaney, Democrat of New York.	July 15, 1977
H.R. 8409	do.	Clausen, Republican of California.	July 19, 1977
H.R. 8424	do.	Spellman, Democrat of Maryland.	Do.
H.R. 9002	Tax credit: higher education expenses.	Applegate, Democrat of Ohio.	Sept. 14, 1977
H.R. 9247	do.	do.	Sept. 22, 1977
H.R. 9274	do.	Hillis, Republican of Indiana.	Sept. 23, 1977
SENATE BILLS			
S. 96	do.	Hollings, Democrat of South Carolina.	Jan. 10, 1977
S. 311	do.	Roth, Republican of Delaware.	Jan. 18, 1977
S. 834	Tax credit or deduction: higher education tuition expenses.	Schweiker, Republican of Pennsylvania.	Mar. 1, 1977
S. 954	do.	Durkin, Democrat of New Hampshire.	Mar. 9, 1977
S. 1781	do.	Anderson, Democrat of Minnesota.	June 29, 1977
S. 2142	Tax credit: education expenses.	Packwood, Republican of Oregon and Moynihan, Democrat of New York.	Sept. 26, 1977

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