

SOUTH DAKOTA BOARD OF REGENTS

Academic and Student Affairs

**ADDENDUM
AGENDA ITEM: 8 – F
DATE: December 5-7, 2017**

SUBJECT

Federal Tax Reform Proposals Update

(December 4, 2017) The information contained in Agenda Item 8 – F has changed since originally drafted on 11/15/2017. The US House of Representatives passed their version of tax reform on 11/16/2017 and the US Senate passed a different version on 12/2/2017. The two versions of the bills contain significant differences on key components relating to public higher education. Representatives from the House and Senate will meet in conference to reconcile the different versions, meaning the components of the final tax reform law remain unknown. A summary of components still in one or both versions that impact higher education is below.

TAX REFORM PROPOSAL	HOUSE BILL	SENATE BILL
<i>Tax on tuition remission waivers for graduate students as income</i>	✓	
<i>Elimination of the Lifetime Learning Credit</i>	✓	
<i>Elimination of the student loan interest deduction</i>	✓	
<i>Elimination of employer-provided tuition assistance</i>	✓	
<i>Reduction in charitable giving deductions</i>	✓	✓
<i>Repeals Advance Refunding Bonds</i>		✓
<i>Elimination of college-age dependent deductions</i>	✓	✓

● *Tax on tuition remission waivers for graduate students as income*
Currently, graduate students receiving tuition and fee waivers do not count those waivers as income for tax purposes.

● *Elimination of the Lifetime Learning Credit*
Currently, the Lifetime Learning Credit provides up to a \$2,000 credit annually for undergraduate, graduate, and professional degree courses, and courses to acquire or improve job skills.

● *Elimination of the student loan interest deduction*
Currently, taxpayers may deduct the lesser of \$2,500 or the amount of student loan interest actually paid during the year.

(Continued)

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- *Elimination of employer-provided tuition assistance*

Currently, employees who use an employer's tuition reimbursement program may deduct up to \$5,250 annually from their taxes. In addition, employers may deduct these costs as a business expense.

- *Reduction in charitable giving deductions*

The proposal doubles the standard deduction for individuals and couples, reducing the number of taxpayers who itemize and the value of a charitable deduction. An expected result is fewer donations to colleges and universities.

- *Repeals Advance Refunding Bonds*

Proposal eliminates financing tool allowing institutions to refinance outstanding debt at lower interest rates. [SDCL 13-51A-33](#), [SDCL 13-51A-34](#), [SDCL 13-51A-35](#), and [SDCL 13-51A-36](#) provide authority for the Board of Regents to utilize such bonds.

- *Elimination of college-age dependent deductions*

Taxpayers currently can claim a deduction (\$4,050 in 2017) from income for each dependent, including children ages 19 to 23 who are full-time college students. The House bill eliminates all personal exemptions, replacing them with higher standard deductions.