

## **Education-related policies being considered for inclusion in Republican reconciliation bills**

(all text from list reported by press on 1/10/25)

### **Education Tax-related items (Ways and Means Committee)**

**Endowment Tax Expansion to 14 Percent Rate: \$10 billion in 10-year savings** - The 2017 Tax Cuts and Jobs Act (TCJA) imposed a new tax on a small group of private nonprofit colleges and universities. Institutions enrolling at least 500 students that have endowment assets exceeding \$500,000 per student (other than those assets which are used directly in carrying out the institution's exempt purpose) pay a tax of 1.4 percent on their net investment income. In 2022, the tax raised \$244 million from 58 institutions. This would raise that rate to 14%.

**H.R. 8913, Increase Applicability of Endowment Tax: \$275 million in 10-year savings** - H.R. 8913 adjusts the criteria for which students are counted when determining whether a private college or university is subject to an excise tax on its net investment income. This bill incentivizes universities that receive generous U.S. federal tax benefits to either enroll more American students or spend more of their endowment funds on those students to avoid being subject to the endowment tax. This bill would subject roughly 10 to 12 additional schools to the Endowment Tax, all of which could avoid the tax by admitting more American students or spending down their endowments.

**Eliminate the American Opportunity Credit: \$59 billion in 10-year savings** - The American opportunity tax credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. Taxpayers can get a maximum annual credit of \$2,500 per eligible student. This option would repeal the credit.

**Eliminate the Lifetime Learning Credit: \$26 billion in 10-year savings** - The Lifetime Learning Credit ("LLC") provides a nonrefundable tax credit equal to 20 percent of qualified tuition and related expenses of the taxpayer that do not exceed \$10,000. This option would repeal the credit.

**Eliminate Exclusion of Scholarship and Fellowship Income: \$54 billion in 10-year savings** - Qualified scholarships and fellowships are generally excluded from taxable income if used for tuition and related expenses. This option would make all scholarship and fellowship income taxable, increasing revenue by \$54 billion over 10 years.

**Eliminate Deduction of Interest on Student Loans: \$30 billion in 10-year savings** - Taxpayers can deduct up to \$2,500 of interest paid on student loans from their taxable income. This option would eliminate the deduction for student loan interest.

Student loan and Pell Grant proposals (Education and the Workforce Committee):

**Repeal Biden's "SAVE" plan, streamline income-driven repayment plans: \$127.3 billion in 10-year savings** - Under this option, the Department of Education (ED) would offer borrowers two repayment plans for loans originated after June 30, 2024: the currently available 10-year repayment plan and a new income-driven repayment (IDR) plan. This option would eliminate all other plans, including the Saving on a Valuable Education (SAVE) Plan, which is the IDR plan that was created administratively in 2023.

**Limit the ED's regulatory authority: \$30 billion in 10-year savings** - This option would limit the authority of the ED to issue regulations that would increase the cost of federal student loans or that would have economically significant effects (have an annual effect on the economy of \$100 million or more or that would adversely affect the economy in a material way).

**Establish risk-sharing requirements for federal student loans, PROMISE grants: \$18.1 billion 10-year savings** - Under this policy option, postsecondary institutions would be required to make annual payments, called risk-sharing payments, in order to participate in the federal student loan program. Those payments would be the main source of funding for the Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) grants, which would be made to eligible postsecondary education institutions to help improve affordability and promote success for students.

**Repeal Biden borrower defense to repayment discharge regulation: \$9.7 billion in 10-year savings** - This option would partially repeal a Biden administration rule that made it easier for a borrower to discharge loans as a result of a school's misconduct, including, for example, misrepresentation of student outcomes.

**Repeal Biden closed school discharge regulations: \$4.9 billion in 10-year savings** - This option would repeal a Biden administration rule that established a standard process for discharging loans made to borrowers who attended schools that closed, thus increasing the likelihood of loan discharge for those borrowers.

**Sunset Grad and Parent Plus loans: TBD 10-year savings** - This option would eliminate parent PLUS loans, which are offered to parents of dependent undergraduate students, and grad PLUS loans, which are offered to graduate students and students enrolled in professional programs. This option would generally eliminate such loans to new borrowers beginning on July 1, 2025, and would eliminate the program altogether by 2028.

- **Establish new annual and aggregate loan limits for unsubsidized undergraduate and graduate loan: TBD 10-year savings** - Accompanying the above option, beginning on July 1, 2025, this option would amend loan limits for unsubsidized graduate and undergraduate loans. In total, CBO estimates **this and the former option would reduce direct spending by \$18.7 billion.**

**Reform Gainful Employment: TBD 10-year savings** - This policy option would establish minimum levels of performance (i.e. expanding Gainful Employment) for programs to participate in Title IV federal student aid programs.

**Reform Public Service Loan Forgiveness (PSLF): TBD 10-year savings** - This option would allow the Committee on Education and the Workforce to make much-needed reforms to the PSLF, including limiting eligibility for the program.

**Amend the need analysis formula used to calculate federal student aid eligibility: TBD 10-year savings** - This option would amend the need analysis formula to calculate federal student aid eligibility using the median cost of attendance of similar degree programs nationally instead of the cost of attendance of a student's individual program.

**End in-school interest subsidy: TBD 10-year savings** - Currently, the government pays the interest that accrues on a student loan while the borrower is still enrolled in school full-time, essentially meaning the

student does not have to pay interest on their loan while actively studying. This policy option would eliminate this arrangement.

**Reform Pell Grants:** *TBD 10-year savings* - This option would allow the Committee on Education and the Workforce to make reforms to the Pell program, such as capping grants at the median cost of attendance and/or expanding Pell grant eligibility to short-term credential programs.

Options that worsen the deficit:

**Eliminate interest capitalization:** *\$3.8 billion in 10-year costs* - Interest capitalization is when unpaid interest is added to the principal balance of a federal student loan. This good governance option would eliminate interest capitalization.

**Repeal 90/10 rule:** *\$1.6 billion in 10-year costs* - This option would repeal the requirement that for-profit institutions receive no more than 90 percent of their revenue from federal financial aid, including veterans' education benefits.

**Allow borrowers to rehabilitate their loans a second time:** *\$138 million in 10-year costs* - This option would allow borrowers who default on their loans to be eligible for a second rehabilitation loan, which allows borrowers to exit default by making nine one-time payments. Under current law, borrowers can rehabilitate their loans just once.