

## the tax credit plan for tuition

The President's Committee on Education Beyond the High School has pin-pointed one of the most pressing of all problems affecting higher education:

"Sending children to college involves for most families an extraordinary peak of financial burden, and this burden may grow as hard-pressed institutions find it necessary to increase tuitions to support higher faculty salaries and other increased costs."

These words are taken from the Committee's summary of its "Second Report to the President."

"The American goal is to enable each young person to develop his or her full potential, irrespective of race, creed, national origin or sex," the Committee agreed. "Our nation has made enormous strides toward that goal, but a long way remains to go. Each year some 200,000 of the ablest young people fail to carry their education beyond high school due to lack of motivation, proper guidance or financial resources, or to discriminatory barriers."

In its search for solutions to this problem, the Committee urged better guidance and counseling of high school students and increased help through scholarships, jobs and loans. Yet it cited the importance of balancing aid, and urged "all who are concerned with broadening college opportunities for young people to note the important distinction between aiding the student to get a good college education and aiding the college to give one. Both efforts must be kept in balance."

In this light, then, should be viewed one specific recommendation included in this report, supplementing its proposals on schol-

arships, jobs and loans, as a significant new approach toward the goal of expanding educational opportunity. Under the title of "Help Through Tax Revision," it read:

"The Committee recommends that the Federal revenue laws be revised, with appropriate safeguards, in ways which will permit deductions or credits on income tax returns by students, their parents or others who contribute to meeting their expenditures necessarily incurred in obtaining formal education beyond high schools; and, further, that provisions be included which will grant proportionately greater tax benefit to those least able to afford those expenditures."

To a large group of alumni leaders and educators, such a recommendation from the President's Committee came as welcome news. For since 1954 they have been advocating this approach and urging Congressional action on a number of bills introduced to provide tax relief for ever-increasing tuition and fee payments for higher education.

As Waldo C. M. Johnston of Yale University has observed: "It has been a policy of our government from colonial times not to raise government income out of the money that goes to educate the next generation. Donations to the institutions are deductible for income tax purposes; taxes paid to the state to support public institutions are deductible for tax purposes. The only form of income to the institution which is not deductible is the tuitions and fees charged to students."

In an article in the American Council on Education's *Educa-*

*tional Record*, Mr. Johnston, who for the past two years has served as the American Alumni Council's Director for Governmental Relations, stressed this point, and continued: "Was there not, perhaps, an answer here—an answer that would bring relief to institutions and parents alike, and would not cause undue hardship to the government in revenue losses—an answer which would not entail additional governmental agencies and operating overhead, and which would leave our institutions free to compete in the market place? Out of this has evolved the so-called Tax Credit Plan for Tuition."

During the past three years this approach to a critical problem of higher education has been gathering momentum as it received endorsement from leading educational organizations and institutions, from organized alumni groups, and from such influential outside agencies as the Executive Committee of the American Bar Association. Gradually this grassroots sentiment has matured into actual legislation—embodied currently in nearly 40 bills introduced in both houses of Congress.

Foremost among the Congressional leaders has been Representative Hale Boggs of Louisiana, whose foresight has brought him close to those dealing with the problems facing American education. The bill which he has introduced is H.R. 1064.

In the first reported sampling of public opinion on this proposal, the *Minneapolis Sunday Tribune* (Oct. 27, 1957) found that a substantial majority (66%) of Minnesotans say "yes" when

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asked if parents should be allowed to make income tax deductions for college expenses. Of the remainder, 24% believe it is a "poor idea," while 10% offer qualified opinions or are undecided.

The specific question posed to a cross section of adults living in cities, towns and on farms throughout the state by the Minnesota poll read:

"As you know, people are allowed to make federal income tax deductions for such things as medical expenses and contributions. Now it has been suggested that parents of college children should be able to deduct the cost of sending their children to college. Does that sound like a good idea or a poor idea to you?"

Those replying in the affirmative backed their answers by pointing to the heavy financial burden on parents of sending children to college. Others noted that more youngsters would thus be able to attend college, particularly those from low-income families, and that higher education should be encouraged for the nation's benefit.

Recognizing that a tax-deductible plan would not "grant proportionately greater tax benefits to those least able to afford those expenditures," most sponsors of legislation in this area have followed the lead of early proponents by providing for tax credit as the form of relief.

Specifically, most of the bills provide the taxpayer with a 30% tax credit for tuition and fees paid to institutions of higher learning. This means that the parent, guardian or friend of the student would be credited on his final income return with \$150 for each \$500 paid for tuition and fees.

On January 7, the Ways and Means Committee will begin hearings on a number of proposed measures affecting amendments to the Internal Revenue Code of 1954. Specifically scheduled for attention is the Tax Credit Plan.

On invitation from the Committee, and by agreement among

the various educational organizations interested in such legislation, the American Council on Education will speak for all in offering both oral and written testimony in support of the Tax Credit plan.

Although there are minor differences in many of the bills that have been introduced, the following general principles are common to all that carry the endorsement of the American Council on Education, the Association of American Colleges and the American Alumni Council:

1. Payments qualifying for the tax credit are limited to those made directly to the institutions for educational services and facilities. These bills avoid the complication and confusion of attempting to cover expenses for travel, housing and meals, even though these may be directly involved in education. Such items are already partially covered by the deduction allowed for a dependent.

2. The payments involved would be only those made to educational institutions—above the twelfth grade—which meet the tests for special tax treatment under the present income tax laws

3. No tax credit would be allowed on amounts for tuition and fees supplied in the form of scholarships, fellowships or grants from sources other than the tax-payer himself. It is assumed that payment of tuition and fees would be the first charge against such a scholarship, fellowship or grant.

4. A ceiling of \$450 for each student would be placed on the amount of the tax credit. Thus, that portion of any tuition above \$1,500 per year would not result in any further tax credit. In addition, the credit allowed is not to result in a refund for the taxpayer by exceeding the amount of the tax imposed.

As is true of many such measures, the Tax Credit Plan has been caught between the conflicting desires for tax relief and a balanced budget. For three years its proponents have been hearing that the time for favorable action has not yet arrived.

It is in the light of such opinions that Waldo Johnston has recently written an eloquent plea for action. "It is time to start taking the initiative and to stop waiting for omens," he maintains. "The future of the Tax Credit Plan is the responsibility of our twelve million alumni. Surely, if they are properly informed, can't we expect them as intelligent Americans to rise to this opportunity in support of a measure so vital to our future?"

#### Ways and Means Committee

In January, the American Council on Education will represent other educational associations on behalf of the Tax Credit Plan in hearings before the House Ways and Means Committee, whose membership is listed below.

- Jere Cooper (D., Tenn.),  
Chairman
- Howard H. Baker (R., Tenn.)  
Hale Boggs (D., La.)  
John W. Byrnes (R., Wisc.)  
Thomas B. Curtis (R., Mo.)  
Herman P. Eberharter (D., Pa.)  
Aime J. Forand (D., R.I.)  
Noble Jones Gregory (D., Ky.)  
Burr Powell Harrison (D., Va.)  
Albert Sydney Herlong, Jr.  
(D., Fla.)  
Hal Holmes (R., Wash.)  
Frank Neville Ikard (D., Texas)  
Thomas A. Jenkins (R., Ohio)  
Frank M. Karsten (D., Mo.)  
Robert Winthrop Kean  
(R., N.J.)  
Eugene J. Keogh (D., N.Y.)  
Cecil R. King (D., Calif.)  
Thaddeus M. Machrowicz  
(D., Mich.)  
Noah Morgan Mason (R., Ill.)  
Eugene J. McCarthy (D., Minn.)  
Wilbur J. O'Brien (D., Ill.)  
Daniel Alden Reed (R., N.Y.)  
Antoni Nicholas Sadlak  
(R., Conn.)  
Richard M. Simpson (R., Pa.)