
**Clinton Presidential Records
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[EMAIL] and Tape Restoration Project [Email]**

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This marker identifies a responsive email, already made available within another collection.

Collection: 2015-0532-F

Bucket: Default

Creation Date: 1997-01-23

Subject: weekly report

Creator: Andrew Mayock CN=Andrew Mayock/O=Department of the Treasury [UNKNOWN]

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ussaleg (ussaleg@essential.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-JAN-1997 00:42:00.00

SUBJECT: CLINTON'S EDUCATION BUDGET

TO: Jason S. Goldberg (Jason S. Goldberg@EOP [UNKNOWN])
READ:UNKNOWN

TO: Robert M. Shireman (Robert M. Shireman@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Legislative Alert 30

January 28, 1997

CLINTON RELEASES PREVIEWS OF HIS EDUCATION BUDGET

In a press conference today the President unveiled education initiatives that will appear in his FY98 Budget Request to Congress. (The Budget Request will be officially released on February 6.) Included in the President's request are:

% an increase and expansion of the Pell grant--the Pell max would be raised to \$3000 and an additional 130,000 families will be eligible for the grant

% a change in the need-analysis formula for Pell--218,000 currently ineligible independent students would be eligible for Pell grants

% a cut in origination fees--for the subsidized Stafford loan, fees would be reduced from 4% to 2%; for unsubsidized loans, fees would be reduced to

3%

Also included in the President's budget are a number of tax initiatives:

% Hope scholarship--would provide a \$1,500 non-refundable tax credit for tuition for first-year students and another \$1,500 credit for second-year students who earned at least a B average

% \$10,000 tax deduction for education and training--would allow families to deduct up to \$10,000 of tuition payments from their AGI (adjusted gross income) when calculating the amount they owe in taxes

% Presidential Honors Scholarships--would provide \$1,000 scholarships for the top 5% of all high school graduates

% Tax-free Education Savings--would expand eligibility for IRAs (Individual Retirement Accounts) to families with incomes up to \$100,000 and allow penalty-free withdrawals for higher education

% Educational Assistance from Employers--would extend exclusion from employer-provided education assistance through 2000, for both graduate and undergraduate education and would provide a tax credit to encourage small businesses to offer educational assistance to employees

USSA is very pleased with the President's proposed increase in the maximum Pell grant and his expansion of Pell to thousands of low-income independent students. We are also very glad to see that the President has

initiated cuts in origination fees, which unfairly penalize student borrowers.

However, USSA was discouraged to find the President did not include any funding for the State Student Incentive Grant (SSIG) program. We strongly feel that this need-based grant program is extremely helpful in leveraging state dollars and thereby providing substantial funds for needy students.

USSA also has concerns about the Hope Scholarship and tax deduction provisions in the President's proposals. Because these initiatives target middle and upper-middle income taxpayers, we feel they will not help in expanding education access or in making 2 years of college education the "standard for all Americans" as the President claims. We also worry that the B average requirement in the Hope Scholarship proposal will adversely affect the most at-risk students. Finally, we regret the introduction of the Presidential Honors Scholarships, a non need-based aid program likely to benefit the most well-off, when so many needy students continue to go without adequate financial aid.

Both the Republicans and the Democrats have introduced education bills in the Senate. Within each of these bills are provisions, such as an "above the line" deduction for student loan interest payments, which USSA supports. Thus, USSA will be working with both the Administration and Congress to put together an education package that provides the most benefits to students.

As the national office continues its efforts, students should contact both

the Administration and their Congressional representatives to express their views.

Most importantly, students should thank the President for his commitment to Pell and his proposed reduction in origination fees and strongly urge their representatives to support these initiatives. Students should likewise explain to both the President and their Congress members the importance of the SSIG program and all grant aid to needy students.

Call the President at : 1-202-456-1111

Fax the President at: 1-202-456-2461

Write the President at: 1600 Pennsylvania Ave., NW
Washington, D.C. 20500

E-Mail the President at: president@whitehouse.gov

Contact your Congress members by calling the ****FREE**** Alliance to Save
Student Aid Hotline at
1-800-574-4AID

Erica Adelsheimer

Phone: 202.347.USSA

Legislative Director

Fax: 202.393.5886

U.S. Student Association

E-mail:

ussaleg@essential.org

1413 K Street NW 10th Floor

<http://www.essential.org/ussa>

Washington, DC 20005

PLAN NOW TO JOIN US FOR USSA'S 28TH ANNUAL GRASSROOTS LEGISLATIVE
CONFERENCE

APRIL 5-8,1997: WASHINGTON NATIONAL AIRPORT HILTON

CONTACT USSA FOR MORE INFORMATION!

***===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDf V5.0-4 #6879) id <01IESXTGKV5C00PT25@PMDf.EOP.GOV>; Wed,

29 Jan 1997 23:48:21 -0400 (EDT)

Received: from essential.org (essential.org)

by STORM.EOP.GOV (PMDf V5.0-7 #6879) id <01IESXTCZTDG007IO2@STORM.EOP.GOV>;

Wed, 29 Jan 1997 23:48:16 -0700 (MST)

Received: from essential.essential.org (essential.org [198.4.52.1])

by essential.essential.org (8.8.5/8.8.5) with SMTP id XAA16209; Wed,

29 Jan 1997 23:42:50 -0500 (EST)

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Robert M. Shireman (Robert M. Shireman@EOP@LNGTWY@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 6-FEB-1997 18:04:00.00

SUBJECT: S.I has \$7 billion of postsecondary education tax provisions.

TO: Gene B. Sperling (Gene B. Sperling@eop [UNKNOWN])

READ:UNKNOWN

TO: Michael Cohen (Michael Cohen@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

Message Creation Date was at 6-FEB-1997 18:04:00

Comparing Treasury's estimates of the President's higher education tax

incentives, to Joint Tax's estimates of S.I, shows that the President's

plan

provides more than five times as much benefits to taxpayers. (Oddly, the

one

item that AASCU is most excited about costs only \$0.7 billion).

----- Forwarded by Robert M. Shireman/OMB/EOP on 02/06/97

05:56 PM -----

S. A. Noe

02/06/97 05:33:13 PM

Record Type: Record

To: Robert M. Shireman/OMB/EOP, Patricia A. Smith/OMB/EOP

cc: Timothy A. Rosado/OMB/EOP, Leslie S. Mustain/OMB/EOP

Subject:

Below is a table of estimated costs of S.1 (Republican's higher education tax

proposal called "Affordable College Act"). These estimates are done by

Joint

Committee on Taxation. (Treasury's estimates of these proposals will be available soon.) I have 10-year cost estimates for these proposals. Let

me

know if you want that information, too.

Once I receive cost estimates of Democrat tax proposals, I'll share with you.

Fiscal Years 1997-2002

Proposal	Effective	1997	1998	1999	2000	2001	2002	Total
----------	-----------	------	------	------	------	------	------	-------

1. Dole Ed Savings Acct 12/31/96 -0.1 -0.2 -0.3 -0.4 -0.4 -0.4 -1.8

2. Perm. extension of

section 127 12/31/96 -0.2 -0.4 -0.7 -0.7 -0.7 -0.8 -3.5

3. Pre-Paid Tuition 12/31/96 (*) -0.1 -0.1 -0.1 -0.1 -0.1 -0.6

4. Student Loan Interest 12/31/96 (*) -0.1 -0.1 -0.1 -0.2 -0.2 -0.7

5. Work-Study 12/31/96 (*) -0.1 -0.1 -0.1 -0.1 -0.1 -0.4

Total -0.3 -0.9 -1.3 -1.4 -1.5 -1.6 -7.0

Note: Details may not add to total due to rounding.

(*) Loss of less than \$50 million

1. Dole Education Savings Account --Permit \$1,000 per-year non-deductible contribution to an education investment account for a child under the age of 19.

2. Permanent extension of section 127 -- Extend permanently employer-provided educational assistance for graduate (effective 6/30/96) and undergraduates.

3. Pre-paid tuition -- Allow tax-free withdrawals from qualified State-sponsored tuition programs.

4. Student loan Interest -- Allow student loan interest deduction up to \$2,500 (above-the-line deduction); phase out \$45,000-\$65,000

singles/\$65,000-\$85,000

joint filers.

5. Work-Study -- Make earnings from Federal Work-Study jobs tax exempt

for

students.

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: clare.giesen (clare.giesen@hq.doe.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:21-MAR-1997 16:14:00.00

SUBJECT: Re: Budget Talking Points

TO: David S. Beaubaire (David S. Beaubaire@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

David - this is a test, please let me know by phone 586-6032 or

e-mail

if you get this.

Reply Separator

Subject: Budget Talking Points

Author: David_S._Beaubaire@oa.eop.gov_at_INTERNET at X400PO

Date: 2/14/97 10:33 AM

Message Creation Date was at 14-FEB-1997 11:30:00

PRESIDENT CLINTON,S FY 1998 BALANCED BUDGET

Summary Talking Points: February 6, 1997

A BALANCED BUDGET THAT REFLECTS AMERICA,S VALUES. President Clinton,s
budget

demonstrates that we can move the country beyond the false choices of the
past

-- and that we can finish the job of balancing the budget, to lower interest

rates and keep the economy growing, while still investing in key priorities such as education that help the American people thrive and our economy grow.

A DETAILED PLAN TO BALANCE THE BUDGET IN 5 YEARS.

Protect and Strengthen Medicare & Medicaid. Extend the life of the Medicare

Trust Fund well into the next century. Protect the fundamental guarantee of

health benefits for the disabled, nursing home residents, & strengthen health coverage for children.

Invest in Education -- our nation's number 1 priority for preparing for the

next century.

Strengthen environmental protections.

Build on the Vice-President's efforts to make our government work better

and
cost less.

Provide middle-class tax relief to pay for education, health care, to help
raise a child and buy and sell a home.

BUILD ON PRESIDENT CLINTON,S RECORD ON DEFICIT REDUCTION.

We have cut the deficit by 63% after it had quadrupled during the previous
12
years.

We now have a smaller deficit as a share of GDP than any other major
country
in the world.

FY98 budget builds on this progress and reaches balance by 2002 while
investing in the future.

MEETING REPUBLICANS HALFWAY ON MEDICARE.

On difficult issues such as Medicare reforms, the President shows that he
is

serious about reaching a bipartisan agreement to balance the budget.

The President,s Balanced Budget uses responsible Medicare policies to
strengthen the life of the Trust Fund without placing unnecessary burdens

on

beneficiaries. The President's plan achieves \$100 billion of savings over

5

years (\$138 billion over 6 years) through several reforms including

reducing

reimbursement to managed care. The plan also guarantees the solvency of

the

Part A trust fund until 2007 while maintaining choice and the high-quality

of

Medicare services.

TAX CUTS FOR FAMILIES WHEN THEY NEED IT MOST.

The President's budget provides about \$100 billion of tax cuts over the

next

five years to help families:

- Raise their children (\$500 per child),

- Send them to college (\$1,500 HOPE Scholarship and \$10,000 tuition tax deduction),

- Save for the future (penalty-free withdrawals from IRAs for education and first homes; tax-free savings for education through combined use of the tuition

tax deduction and education IRA);

Buy and sell their homes by the exclusion of \$500,000 of capital gains on the

sale of the home,

Move from welfare to work with tax incentives to businesses, by allowing employers a 50% credit on the first \$10,000 of annual wages that they pay to

long-term welfare recipients.

And tax incentives to boost investment in distressed areas and promote hiring of the economically disadvantaged.

INVESTING IN THE FUTURE. The President's budget maintains our critical priorities by increasing our investments in health care, education and training, the environment and science and technology. It also establishes new initiatives important new initiatives to help prepare America for the 21st century.

Health Care:

Helps an estimated 3.2 million families, including 700,000 children, keep their health care coverage for up to six months until their breadwinners find new jobs.

Provides health insurance coverage for millions of children who are uninsured.

Invests more in the Ryan White AIDS program and in biomedical research at

NIH to find ways to prevent and treat diseases.

Establishes a new Alzheimer's respite benefit within Medicare and provides for an annual mammogram without copayments.

Education and Training:

Increases funding for Head Start by 55%, from \$2.8 billion in FY93 to \$4.

3

billion in FY98.

Increases GOALS 2000 funding by 26% to help states raise educational achievement.

Doubles funding to \$500 million next year for the Technology Literacy Challenge and a related program to help ensure that all children are technology literate by the turn of the century.

Includes the largest increase in the maximum Pell Grant scholarship in two decades, a \$1.7 billion increase in aid over FY97, and expanded eligibility for at least 348,000 more students.

Creates the America Reads Challenge to help insure that all children can read well and independently by the end of third grade (\$2.5 billion over

five

years.)

Creates a \$5 billion new school construction fund over four years to spur

\$20 billion in school construction and renovation.

Environment:

Funds the Kalamazoo Initiative to protect communities from toxic pollution by the 2000.

Increases funds for the National Park System to help improve park facilities and further protect our national and cultural treasures.

Crime:

Funds 17,000 more police, helping to move towards the President's goal of 100,000 new police by the year 2000.

Increases funds for the Drug Courts initiative, for drug testing, for the

Safe and Drug-Free Schools initiative and other programs to fight drugs.

Funds 7,359 Border Patrol agents -- 85% more than in FY93 -- to control illegal immigration.

A BALANCED BUDGET PLAN THAT CLOSES LOOPHOLES AND SPECIAL INTEREST

PROVISIONS.

To protect priorities like Medicare, Medicaid, education and the environment,

the President believes we should also be closing loopholes and special interest provisions.

The President's budget proposes approximately \$34 billion of business tax base broadeners, tax loophole closers and tax compliance measures for FY 1998-2002.

LET'S BUILD ON OUR PROGRESS.

We have cut the deficit by 63%. Deficit reduction has reduced interest rates, and spurred strong investment and the creation of over 11 million new jobs.

Now, we must work together to achieve a real and solid balanced budget that

keeps America strong and growing.===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)
id <011GRP06D7FK00C8WT@PMDf.EOP.GOV> for "David S. Beaubaire"@oa.eop.gov; Fri,

21 Mar 1997 15:21:55 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)

id <011GRP04D4WW0013AS@PMDf.EOP.GOV> for David_S._Beaubaire@oa.eop.gov; Fri,
21 Mar 1997 15:21:53 -0500 (EST)

Received: from hqrtmtal.doe.gov by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA04938; Fri, 21 Mar 1997 15:21:50 -0500

Received: by hqrtmtal.doe.gov (1.37.109.18/16.2-WT4.0) id AA033645502; Fri,

21 Mar 1997 15:18:23 -0500

X-Mailer: Worldtalk (4.0.2-p8)/MIME

X400-MTS-identifier: [/P=USDOE/A=ATTMAIL/C=US/ ; c\hq\970321151742a]

===== END ATTACHMENT I =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ElmendorfE (elmendorfe@aascu.nche.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-MAY-1997 14:47:00.00

SUBJECT: STUDENT LOAN INTEREST RATE ALERT

TO: Barry White (Barry White@EOP [UNKNOWN])

READ:UNKNOWN

TO: Gene B. Sperling (Gene B. Sperling@eop [UNKNOWN])

READ:UNKNOWN

TO: Kenneth S. Apfel (Kenneth S. Apfel@eop [UNKNOWN])

READ:UNKNOWN

TO: Michael Cohen (Michael Cohen@EOP [UNKNOWN])

READ:UNKNOWN

TO: Patricia A. Smith (Patricia A. Smith@eop [UNKNOWN])

READ:UNKNOWN

TEXT:

AASCU ISSUE ADVISORY:

FROM: ED ELMENDORF/BARMAK NASSIRIAN

MAY 30, 1997

RE: STUDENT LOAN INTEREST RATE ALERT

(hang on to your wallets)

Lenders in FFELP have apparently put on a full court press
for an interest rate hike on ALL student loans, effective
July 1, 1998; and seem to have successfully sold some
policymakers on a proposal that is stunningly bad for
students.

BACKGROUND

The Student Loan Reform Act of 1993--the law that created the direct loan program--contains a provision on student loan interest rates that will lower the rate on student loans when it takes effect on July 1, 1998. This provision will change the formula for calculating student rates in the following manner:

Under the current formula, the interest rate on student loans (both direct and FFEL) is tied to the 91-day T-bill. Specifically, the rate is equal to 91-day T + 2.5% in school, and 91-day+3.1% in repayment.

Under the formula scheduled to go into effect, the formula would equal the 10-year T-note plus 1%.

THE PROPOSAL

Lenders have correctly pointed out that they would encounter great difficulty and expense in securing financing for their student loan portfolios if they have to hedge against a long term instrument like the 10-year T. They have cited this as pending crisis for FFEL, a judgment that many observers have found credible. Unfortunately, instead of attempting to solve the problem in a manner that would hold students harmless, lenders have proposed that the

scheduled interest rate reduction be eliminated in favor of the current formula. This change would generate a windfall for all lenders (including the Federal government insofar as it is a lender in FDSLPL), and would impose \$3 BILLION of additional interest costs on borrowers. In view of the severity of the impact on students, FFELP lenders have generously agreed to reduce origination fees by 1%, saving students a grand total of \$164.47 MILLION, and leaving borrowers in the red to the tune of \$2.835 BILLION.

Aggregate cost to students of eliminating the scheduled interest rate change:

(in millions)

FFELP	\$2,000
FDSLPL	\$1,000
Total	\$3,000

Student savings from 1% reduction in origination fees

FFELP	\$85.37
FDSLPL	\$79.10
Total	\$164.47

Net cost to students:

FFELP	\$1,914.63
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FDSL	\$ 920.90
------	-----------

Total	\$2,835.53
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What is important to realize here is that the lender proposal APPEARS cost-neutral to students because it "reimburses" borrowers for all the FEDERAL savings that this proposal creates. But, of course, not all the borrower costs in FFELP get scored on the budget. The added amount of borrower interest payments to LENDERS is not reflected in the federal cost calculation, and would be kept by FFEL holders under this scenario.

CASE EXAMPLES (or, do we have a deal for you!)

CASE 1

Sub Stafford borrower, in school for 4 years:

Loan amount: \$3,236

Savings due to 1% origination fee reduction: \$32.36

Added interest costs under lender proposal: \$207

CASE 2

Unsub Stafford borrower, in school for 4 years:

Loan amount: \$3,312

Savings from 1% reduction in origination fees: \$33.12

Added interest costs under lender proposal: \$347

THINGS TO CONSIDER

The lenders are right in claiming that the 10 year indexation of rates creates problems for FFEL. They appear, however, unable to resist the temptation to go for the whole ball of wax, and have unfortunately opted for a strategy of legislative bungee jumping that they hope will give them what they need PLUS something extra. We would like to address their real concerns while holding borrowers harmless. No action is needed on this at this point, but stay tuned.

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)

id <01IJLIAI6V9C005M0R@PMDf.EOP.GOV>; Mon, 02 Jun 1997 12:30:14 -0500 (EST)

Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IJLIADCPZ4007CFW@PMDf.EOP.GOV>; Mon,

02 Jun 1997 12:30:07 -0500 (EST)

Received: from nchemail.nche.edu ([192.111.222.2])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with SMTP id <01IJLI9MVDMG001YHT@STORM.EOP.GOV>; Mon,

02 Jun 1997 12:29:33 -0400 (EDT)

Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA11650; Fri,

30 May 1997 15:42:49 -0400

Received: from aascudomain-Message_Server by aascu.nche.edu with

Novell_GroupWise; Fri, 30 May 1997 16:06:53 -0400

Apparently-to: White_B@a1.eop.gov

Apparently-to: sperling_g@a1.eop.gov

Apparently-to: smith_p@a1.eop.gov

Apparently-to: Cohen_m@a1.eop.gov

Apparently-to: Benami_J@a1.eop.gov

Apparently-to: Apfel_K@a1.eop.gov

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Elmendorfe (elmendorfe@aascu.nche.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 2-JUN-1997 16:02:00.00

SUBJECT: STUDENT LOAN INTEREST RATE ALERT

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

6/2/97

Please correct the numbers listed below to adjust for the
misplaced decimal point. We are sorry for the
inconvenience.

Subject: Time:3:31 PM

OFFICE MEMO CORRECTION on student
interest rates Date:6/2/97

This message is being posted on behalf of Barmak
Nassirian of AASCU:

Our earlier message on student interest rates has a
GLARING error in numbers that I would like to correct.
Here are the corrected numbers:

Aggregate student cost of eliminating the scheduled interest
change:
(in millions)

FFELP 2,000

FDSLP	1,000
Total	3,000

Student savings from 1% reduction in origination fees

(THIS IS WHERE THE DECIMAL POINT WAS
MISPLACED)

FFELP	853.7
FDSLP	791.0
Total:	1,644.7

Net Cost to students

FFELP	1,146.3
FDSLP	209
Total	1,355.3

Our earlier message incorrectly UNDERSTATED the savings to students of a 1% reduction in origination fees, and OVERSTATED the net cost to borrowers of the proposal put forth by lenders. The amount of hit on students, therefore, is NOT \$2.835 billion, but \$1.355 billion. We apologize for the error.

AASCU ISSUE ADVISORY:

FROM: ED ELMENDORF/BARMAK NASSIRIAN

MAY 30, 1997

RE: STUDENT LOAN INTEREST RATE ALERT

(hang on to your wallets)

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Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IJLULH0YF40001JW@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Mon,

02 Jun 1997 18:22:41 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IJLULB88WW00021M@PMDF.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Mon,

02 Jun 1997 18:22:35 -0500 (EST)

Received: from nchemail.nche.edu by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA02929; Mon, 02 Jun 1997 18:22:24 -0400

Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA09950; Mon,
02 Jun 1997 17:08:44 -0400

Received: from aascudomain-Message_Server by aascu.nche.edu with
Novell_GroupWise; Mon, 02 Jun 1997 17:03:18 -0400

Apparently-to: Robert_M._Shireman@oa.eop.gov

X-Mailer: Novell GroupWise 4.1

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ElmendorfE (ElmendorfE@aascu.nche.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 3-JUN-1997 10:12:00.00

SUBJECT: Re: STUDENT LOAN INTEREST RATE ALERT -Reply

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

Bob:

I am out the door to deliver a speech at Princeton (don't
get excited, it is not to the UNIVERSITY)!. I called BN
and he is going to call you when he arrives. Sallie Mae has
ACE's ear and is pushing all of us into silence on the matter
of interest rate changes. AASCU does not react well to
being pushed as you know.

ed

>>> <Robert_M._Shireman@oa.eop.gov> 06/02/97

11:08pm >>>

Message Creation Date was at 2-JUN-1997 22:08:00

I am interested in the paragraph that suggests you agree
that the interest rate
change is problematic for FFEL. I would like your and
Barmak's wisdom on this
topic before I find out what I'm "staying tuned" for.

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IJMTW5TP7K00071M@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Tue,

03 Jun 1997 11:13:50 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IJMTW3KIR40007JJ@PMDF.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Tue,

03 Jun 1997 11:13:47 -0500 (EST)

Received: from nchemail.nche.edu by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA20782; Tue, 03 Jun 1997 11:13:44 -0400

Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA17844; Tue,
03 Jun 1997 11:08:30 -0400

Received: from aascudomain-Message_Server by aascu.nche.edu with
Novell_GroupWise; Tue, 03 Jun 1997 11:13:24 -0400

X-Mailer: Novell GroupWise 4.1

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: tombutts (tombutts@umich.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 5-JUN-1997 21:34:00.00

SUBJECT: Re: 2nd draft

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

Thanks much. - tom

>Message Creation Date was at 5-JUN-1997 12:00:00

>

>I think it's great to put in the interest rate change. You might want to

>strengthen it with some bolding or caps that THE INDUSTRY WANTS TO

INCREASE

>STUDENT LOAN INTEREST RATES BY \$3 BILLION. . . .

>

>Instead of "price competition" (in the title and last paragraph), consider

>using the term "predatory pricing," unless you think that's too strong.

Thomas A. Butts

Associate Vice President for University Relations

University of Michigan

202-554-0578, FAX 202-554-0582, tombutts@umich.edu

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)

id <01IJQAXPTRTS000VP9@PMDf.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Thu,

05 Jun 1997 22:53:51 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)

id <01IJQAXMSFOG000UTV@PMDf.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Thu,

05 Jun 1997 22:53:46 -0500 (EST)

Received: from mothra.rs.itd.umich.edu by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA13670; Thu, 05 Jun 1997 22:53:42 -0400

Received: from [192.195.231.218] by mothra.rs.itd.umich.edu (8.8.5/2.2)

id WAA25072; Thu, 05 Jun 1997 22:53:40 -0400 (EDT)

X-Sender: tombutts@t.imap.itd.umich.edu

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: tombutts (tombutts@umich.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 5-JUN-1997 21:53:00.00

SUBJECT: Re: from finaid-l

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

How do we deal with this? - tom

>From: btornow@uism.bu.edu

>Date: Thu, 05 Jun 97 11:09:49 EST

>To: rwilliam@uism.bu.edu, llee@uism.bu.edu, lzarkow@uism.bu.edu,

> tombutts@umich.edu

>Subject: Re: from finaid-l

>

> Lori,

>

> Thanks for the very timely forwarding of the very important message.

> I just finished giving input to Tom Butts on a brief piece he has

> drafted to respond to efforts by FFELP players to take benefits away

> from students. I will share it with you as soon as it is finalized.

>

> Barbara

>

> P.S. Tom, it just occurred to me that it could be useful to in some

> way work in the phrase that the FFELP community is trying to take

away

> benefits promised to students.

>
>
> _____ Reply Separator

> _____

>Subject: from finaid-l

>Author: Lori Zarkower at Enroll_Srvcs

>Date: 6/5/97 10:50 AM

>

>

>Hi-

>

>Thought this was interesting. The message below was revised slightly.

I've

>copied the revision underneath the original message. Lori

>*****

*

>

>

>

>

>

>

>Date: Fri, 30 May 1997 15:26:41 -0400

> From: Barmak Nassirian <nassirianb@AASCU.NCHE.EDU>

> Subject: STUDENT LOAN INTEREST RATE ALERT

>

> STUDENT LOAN INTEREST RATE ALERT

> (hang on to your wallets)

>

>

> ISSUE ALERT

>

> Lenders in FFELP have apparently put on a full court press for an

> interest rate

> hike on ALL student loans, effective July 1, 1998; and seem to have

> successfully sold some policymakers on a proposal that is stunningly

> bad for

> students.

>

> BACKGROUND

>

> The Student Loan Reform Act of 1993--the law that created the direct

> loan

>

> program--contains a provision on student loan interest rates that

will

> lower

> the rate on student loans when it takes effect on July 1, 1998. This

> provision

> will change the formula for calculating student rates in the

following

> manner:

>

> Under the current formula, the interest rate on student

loans

- > (both direct
- > and FFEL) is tied to the 91-day T-bill. Specifically, the
- > rate is equal
- > to 91-day T + 2.5% in school, and 91-day+3.1% in repayment.

- >
- > Under the formula scheduled to go into effect, the formula
- > would equal
- > the 10-year T-note plus 1%.

- >
- > THE PROPOSAL

- >
- > Lenders have correctly pointed out that they would encounter great
- > difficulty
- > and expense in securing financing for their student loan portfolios

if

- > they
- > have to hedge against a long term instrument like the 10-year T. They
- > have
- > cited this as pending crisis for FFEL, a judgment that many observers
- > have
- > found credible. Unfortunately, instead of attempting to solve the
- > problem in a
- > manner that would hold students harmless, lenders have proposed that
- > the
- > scheduled interest rate reduction be eliminated in favor of the
- > current

> formula. This change would generate a windfall for all lenders

> (including the

> Federal government insofar as it is a lender in FDSLPL), and would

> impose \$3

> BILLION of additional interest costs on borrowers. In view of the

> severity of

> the impact on students, FFELP lenders have generously agreed to

reduce

> origination fees by 1%, saving students a grand total of \$164.47

> MILLION, and

> leaving borrowers in the red to the tune of \$2.835 BILLION.

>

> Aggregate cost to students of eliminating the scheduled

> interest rate

> change:

> (in millions)

>

>	FFELP	\$2,000
>	FDSLPL	\$1,000
>		
>	Total	\$3,000

>

> Student savings from 1% reduction in origination fees

>

>

>	FFELP	\$85.37
---	-------	---------

> FDSLP \$79.10

>

> Total \$164.47

>

>

> Net cost to students:

>

> FFELP \$1,914.63

> FDSLP \$ 920.90

>

> Total \$2,835.53

>

>

> What is important to realize here is that the lender proposal APPEARS

> cost-neutral to students because it "reimburses" borrowers for all

the

> FEDERAL

> savings that this proposal creates. But, of course, not all the

> borrower costs

> in FFELP get scored on the budget. The added amount of borrower

> interest

> payments to LENDERS is not reflected in the federal cost calculation,

> and would

> be kept by FFEL holders under this scenario.

>

>

> CASE EXAMPLES (or, do we have a deal for you!)

- >
- > CASE 1
- >
- > Sub Stafford borrower, in school for 4 years:
- >
- > Loan amount: \$3,236
- > Savings due to 1% origination fee reduction: \$32.36
- > Added interest costs under lender proposal: \$207
- >
- >
- > CASE 2
- >
- > Unsub Stafford borrower, in school for 4 years:
- >
- > Loan amount: \$3,312
- > Savings from 1% reduction in origination fees: \$33.12
- > Added interest costs under lender proposal: \$347
- >
- > THINGS TO CONSIDER
- >
- > The lenders are right in claiming that the 10 year indexation of
rates
- > creates
- > problems for FFEL. They appear, however, unable to resist the
- > temptation to go
- > for the whole ball of wax, and have unfortunately opted for a
strategy

> of
> legislative bungee jumping that they hope will give them what they
> need PLUS
> something extra. We would like to address their real concerns while
> holding
> borrowers harmless. No action is needed on this at this point, but
> stay tuned.

>

> -----

>

> Date: Mon, 2 Jun 1997 15:44:39 -0400

> From: Becky Timmons <becky_timmons@ACE.NCHE.EDU>

> Subject: CORRECTION on student inter

>

> Subject:

>Time:3:31 PM

> OFFICE MEMO CORRECTION on student interest rates

Date:6/2/97

>

> This message is being posted on behalf of Barmak Nassirian of AASCU:

>

>

> My earlier message on student interest rates has a GLARING error in

>numbers

> that I would like to correct. Here are the corrected numbers:

>

> Aggregate student cost of eliminating the scheduled interest change:

> (in millions)

>

> FFELP 2,000

> FDSL P 1,000

> Total 3,000

>

> Student savings from 1% reduction in origination fees

> (THIS IS WHERE THE DECIMAL POINT WAS MISPLACED)

>

> FFELP 853.7

> FDSL P 791.0

> Total: 1,644.7

>

>

> Net Cost to students

>

> FFELP 1,146.3

> FDSL P 209

> Total 1,355.3

>

> My earlier message incorrectly UNDERSTATED the savings to students of

>a 1%

> reduction in origination fees, and OVERSTATED the net cost to

>borrowers of

> the

> proposal put forth by lenders. The amount of hit on students,

>therefore,

> is

> NOT \$2.835 bill===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)
id <01IJQAY6X6J4000VP9@PMDf.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Thu,

05 Jun 1997 22:54:13 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)
id <01IJQAY3TZTS000TUP@PMDf.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Thu,
05 Jun 1997 22:54:09 -0500 (EST)

Received: from mothra.rs.itd.umich.edu by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA20319; Thu, 05 Jun 1997 22:54:05 -0400

Received: from [192.195.231.218] by mothra.rs.itd.umich.edu (8.8.5/2.2)
id WAA25107; Thu, 05 Jun 1997 22:54:01 -0400 (EDT)

X-Sender: tombutts@t.imap.itd.umich.edu

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: tombutts (tombutts@umich.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 8-JUN-1997 11:27:00.00

SUBJECT: Re: FW: Change in Student Loan Rates

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

>Date: Thu, 5 Jun 1997 22:43:04 -0400

>To: "Dowling, Earl" <eedowli@iastate.edu>

>From: Tom Butts <tombutts@umich.edu>

>Subject: Re: FW: Change in Student Loan Rates

>Cc:

>Bcc:

>X-Attachments:

>

>Earl - That's not the way these things are projected by responsible

>economists. CBO, OMB and the private blue chip estimators all agree that

>the rates will be such to produce a better deal for students.

>

>>I made reference to this organization during our call this morning.

>> -----

>>From: Steve Mccullough

>>To: FINAID-L

>>Subject: Change in Student Loan Rates

>>Date: Thursday, June 05, 1997 11:57AM

>>

>>Repeal of Upcoming Change in Student Loan Rates is Good For Students!

>>

>>Recently, a message appeared on the Finaid-L Bulletin Board saying that
>>the repeal of the change in student loan interest rates scheduled for
>>July 1, 1998, would hurt students, even if the borrower paid-origination
>>fee was lowered by 1 percent instead. The analysis was based on the
>>current level of rates and an assumption that these levels would follow
>>the predictions of the Congressional Budget Office. I strongly disagree
>>with this position.

>>
>>The rate of student loans is scheduled to change to a different index,
>>the 10-year Treasury Note, from its current index, the 91-day Treasury
>>Bill. If this change was made effective this July, rather than next
>>July, the rate paid by the borrower under the new index would, in fact,
>>be lower. This is, however, an aberration. Only 3 times in the past 25
>>years would the 10-year Treasury Index-based rate have been better than
>>the 91-day Treasury Bill-based rate. It just so happens that these
>>three-years were the most recent ones. Over the past six years,
>>students have actually fared better under the T-bill-based rate. See
>>the analysis below:

>>
>>
>>1992 1993 1994 1995* 1996*
>>1997*
>>Average
>>
>>91-day T-Bill Student Loan Rates 6.85% 6.12% 7.39% 8.25% 8.25%
>>8.25% 7.52%
>>

>>10-year Treas. Student Loan Rates 8.25% 6.96% 8.25% 7.61% 7.90%

>>7.74% 7.79%

>>

>>Difference ([-] = T-bill Better) -1.40% -0.84% -0.86% 0.64% 0.35%

>>0.51% -0.27%

>>

>>

>>

>>

>> Total

>>

>>

>>

>> T-Bill

>>

>>

>>

>> Svgs

>>Impact on a \$10,000 Balance (\$140) (\$84) (\$86) \$64 \$35

>>\$51 (\$160)

>>

>>Impact of 4% Reduction in Origination

>> Fee on a \$10,000 Balance

>>

>> (\$100)

>>

>>*NOTE: These are the only years over the past 25 years wherein the

>>10-year Treasury-based student loan rate would have been lower than the
>>T-bill-based rate.

>>

>>If you believe that the current economic boom is going to last into the

>>foreseeable future, as predicted by CBO, in order to help make the

>>Balanced Budget Agreement work, then give credence to this position.

>>But to do so is to bet against the historical odds. And why gamble with

>>the economic futures of students. Instead, why not support an effort to

>>take advantage of the quirks in the budget process to get a real,

>>tangible and certain benefit for students in the form of a 1% reduction

>>in their up-front loan fees.

>>

>>Steven W. McCullough

>>Executive Director

>>Iowa Student Loan Liquidity Corporation

>>(A not-for-profit secondary market for student loans)

>>

>>-----

>>Thank you for using FINAID-L -- the list for F.A. professionals.

>>To UNSUBSCRIBE, send one line text UNSUB FINAID-L

>>mailto:LISTSERV@LISTS.PSU.EDU

>

>

>

Thomas A. Butts

Associate Vice President for University Relations

University of Michigan

202-554-0578, FAX 202-554-0582, tombutts@umich.edu

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)
id <01IJTW0CHDNK001H0F@PMDf.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Sun,

08 Jun 1997 12:29:14 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)
id <01IJTW0BJ334001CL4@PMDf.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Sun,

08 Jun 1997 12:29:13 -0500 (EST)

Received: from mothra.rs.itd.umich.edu by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA07544; Sun, 08 Jun 1997 12:29:12 -0400

Received: from [198.108.57.26] by mothra.rs.itd.umich.edu (8.8.5/2.2)

id MAA23350; Sun, 08 Jun 1997 12:29:06 -0400 (EDT)

X-Sender: tombutts@t.imap.itd.umich.edu

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ElmendorfE (elmendorfe@aascu.nche.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 9-JUN-1997 17:02:00.00

SUBJECT: Text of AASCU letter to House and Senate Tax Committee

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

AASCU ADVISORY

TO: AASCU STATE REPRESENTATIVES

FROM: ED ELMENDORD/BARMAK NASSIRIAN

SUBJ: AASCU RESPONSE TO HOUSE &
SENATE TAX COMMITTEES

DATE: JUNE 9, 1997

June 9, 1997

The Honorable William V. Roth

Chairman

Senate Finance Committee

219 Dirksen Senate Office Building

Washington, D. C. 20510

The Honorable Bill Archer

Chairman

House Ways and Means Committee

1102 Longworth House Office Building

Washington, D. C. 20515

Dear Mr. Chairmen:

We write to indicate our enthusiastic support for the agreement reached between the President and Congress to devote a substantial portion of any tax cuts to higher education. We congratulate the President and the Congress for their continued efforts to expand access to higher education, and believe that properly crafted tax incentives are an investment in America's future.

We fully endorse the goals articulated by the Administration and congressional leaders in advancing their respective packages of education-related tax cuts. We believe that as Congress works to implement the budget agreement, it has a historic opportunity to produce a final tax package that will enable all Americans to afford postsecondary education for themselves and their children.

As you examine the specific features of education-related tax benefits, we hope that you will join

the President in his call for making at least two years of postsecondary education the norm for our citizens. The creation of an expanded Hope Scholarship program is the single most effective way in which the tax writing committees can make the dream of a better future for all Americans a reality. We believe such a program, if it is correctly designed to provide benefits to our neediest citizens as well as to middle income families, will be a proud legacy for policymakers.

The bipartisan agreement for restoration of deductibility of student loan interest payments is another important tax provision we support. An Aabove-the-line@ deduction for educational borrowing would provide relief to millions of our citizens with student loan payments.

The Administration has proposed that any loan forgiveness for borrowers who make 25 years of payments based on income be non-taxable. We fully endorse this proposal. In an effort to promote greater community service, the Administration has also proposed non-taxability of loan forgiveness by non-profit entities. We believe public colleges and universities should be included in this provision. While public institutions can provide non-taxable loan forgiveness in certain circumstances under current law, we believe their inclusion

in this new provision would simplify the process substantially. Also, we encourage Congress to include a technical expansion of non-taxability to include loan discharge, write-off and compromise.

The Administration and Congress have proposed a variety of additional incentives that merit careful consideration. These include tax-free educational savings accounts; expansion and permanent extension of tax exemption for employer-provided education assistance; tax exemption for work-study earnings, scholarships and fellowships; and proposals to encourage lifelong learning.

An additional proposal we are concerned about is non-taxability of state prepaid tuition plans. We strongly support this in concept, but believe it should apply only to state prepaid tuition plans that are actuarially sound, and that do not create unfunded contingent liabilities for the nation's public institutions.

We appreciate your leadership on these important issues, and stand ready to work with you in the historic task before the Committee.

Sincerely,

James B. Appleberry

President

On behalf of the following education associations:

Hispanic Association of Colleges and Universities (HACU)

National Association for Equal Opportunity in Higher
Education (NAFEO)

National Council of Educational Opportunity Associations
(NCEOA)

The Education Trust

U.S. Public Interest Research Group (USPIRG)

United Negro College Fund (UNCF)

United States Student Association (USSA)

pc: The Honorable Richard W. Riley

Members of the Senate Finance Committee

Members of the House Ways and Means Committee

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Date: Mon, 09 Jun 1997 16:54:38 -0400

From: Edward Elmendorf <elmendorfe@aascu.nche.edu>

To: martint@aascu.nche.edu

Cc: goldmannh@aascu.nche.edu

Subject: Text of AASCU letter

<WP Attachment Enclosed>

===== END ATTACHMENT 1 =====

===== ATTACHMENT 2 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01IJVMI2G96O001HEF@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Mon,

09 Jun 1997 18:18:48 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01IJVMHSE9R4001UGH@PMDF.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Mon,

09 Jun 1997 18:18:34 -0500 (EST)

Received: from nchemail.nche.edu by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA15246; Mon, 09 Jun 1997 18:05:44 -0400

Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA07910; Mon,

09 Jun 1997 18:00:26 -0400

Received: from aascudomain-Message_Server by aascu.nche.edu with

Novell_GroupWise; Mon, 09 Jun 1997 18:07:33 -0400

Apparently-to: Robert_M._Shireman@oa.eop.gov

X-Mailer: Novell GroupWise 4.1

===== END ATTACHMENT 2 =====

===== ATTACHMENT 3 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D55]ARMSZZ0008KEY.002 to ASCII,

The following is a HEX DUMP:

===== END ATTACHMENT 3 =====

June 9, 1997

The Honorable William V. Roth
Chairman
Senate Finance Committee

219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Bill Archer
Chairman
House Ways and Means
Committee
1102 Longworth House Office
Building
Washington, D.C. 20515

Dear Mr. Chairmen:

We write to indicate our enthusiastic support for the agreement reached between the President and Congress to devote a substantial portion of any tax cuts to higher education. We congratulate the President and the Congress for their continued efforts to expand access to higher education, and believe that properly crafted tax incentives are an investment in America's future.

We fully endorse the goals articulated by the Administration and congressional leaders in advancing their respective packages of education-related tax cuts. We believe that as Congress works to implement the budget agreement, it has a historic opportunity to produce a final tax package that will enable all Americans to afford postsecondary

education for themselves and their children.

As you examine the specific features of education-related tax benefits, we hope that you will join the President in his call for making at least two years of postsecondary education the norm for our citizens. The creation of an expanded Hope Scholarship program is the single most effective way in which the tax writing committees can make the dream of a better future for all Americans a reality. We believe such a program, if it is correctly designed to provide benefits to our neediest citizens as well as to middle income families, will be a proud legacy for policymakers.

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The Administration has proposed that any loan forgiveness for borrowers who make 25 years of payments based on income be non-taxable. We fully endorse this proposal. In an effort to promote greater community service, the Administration has also proposed non-taxability of loan forgiveness by non-profit entities. We believe public colleges and universities should be included in this provision. While public institutions can provide non-taxable loan forgiveness in certain circumstances under current law, we believe their inclusion in this new provision would simplify the process substantially. Also, we encourage Congress to include a technical expansion of non-taxability to include loan discharge, write-off and compromise.

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The Honorable William V. Roth

The Honorable Bill Archer

June 9, 1997

Page 2

tax-free educational savings accounts; expansion and permanent extension of tax exemption for employer-provided education assistance; tax exemption for work-study earnings, scholarships and fellowships; and proposals to encourage lifelong learning.

An additional proposal we are concerned about is non-taxability of state prepaid tuition plans. We strongly support this in concept, but believe it should apply only to state prepaid tuition plans that are actuarially sound, and that do not create unfunded contingent liabilities for the nation's public institutions.

We appreciate your leadership on these important issues, and stand ready to work with you in the historic task before the Committee.

Sincerely,

James B. Appleberry

President

On behalf of the following education associations:

Automated Records Management System
Hex-Dump Conversion

The Honorable William V. Roth

The Honorable Bill Archer

June 9, 1997

Page 2

Hispanic Association of Colleges and Universities (HACU)

National Association for Equal Opportunity in Higher Education (NAFEO)

National Council of Educational Opportunity Associations (NCEOA)

The Education Trust

U.S. Public Interest Research Group (USPIRG)

United Negro College Fund (UNCF)

United States Student Association (USSA)

pc: The Honorable Richard W. Riley

Members of the Senate Finance Committee

Members of the House Ways and Means Committee

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Elmendorfe (elmendorfe@aascu.nche.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 9-JUN-1997 16:16:00.00

SUBJECT: AASCU Statement In Response to Chairman Archer's Mark

TO: Barry White (Barry White@EOP [UNKNOWN])
READ:UNKNOWN

TO: Gene B. Sperling (Gene B. Sperling@eop [UNKNOWN])
READ:UNKNOWN

TO: Kenneth S. Apfel (Kenneth S. Apfel@eop [UNKNOWN])
READ:UNKNOWN

TO: Michael Cohen (Michael Cohen@EOP [UNKNOWN])
READ:UNKNOWN

TO: Patricia A. Smith (Patricia A. Smith@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Statement of AASCU's in response to

the Chairman Bill Archer's Mark,

House Committee on Ways and Means

We are disappointed to see that Chairman Archer's tax package, instead of improving the administration's education-related tax proposals, accomplishes just the opposite. It is more regressive and does nothing to expand access to higher education.

The American Association of State Colleges and Universities (AASCU) has set a clear standard against which any educational tax proposal may be judged*that of broadening educational opportunity.

We believe the president deserves credit for insisting that at

least \$35 billion of any tax expenditures should be devoted to higher education. We had hoped that Chairman Archer would modify the details of the administration's proposal to ensure that the neediest, as well as middle- and upper-income Americans, would qualify for education-related tax benefits.

Unfortunately, the chairman's mark falls short. Not only does it devote substantially less to education-related tax provisions than the budget agreement with the president requires, it is also seriously mis-targeted.

Our concerns are as follows:

- * The modifications made to the president's Hope

Scholarship proposal move the tax subsidies even further toward the upper income. By limiting the credit to *out of pocket* tuition and books, the chairman's mark fails to conform to the improvements the president recently announced. In addition, limiting the credit to 50 percent of tuition and books up to \$3,000 serves as another de facto cap on the maximum eligibility of students at schools with tuition charges of less than \$3,000. The fact that the tax credit continues to be nonrefundable also renders it ineffective as an instrument of access.

- * The deductibility of up to \$10,000 per student per year of expenditures through state-sponsored prepaid tuition

plans, and the creation of a similar deduction for private prepaid tuition programs, will help only our highest income citizens.

* The chairman's mark fails to include non-taxability of student loan forgiveness*an extraordinarily important feature of the administration's package that AASCU fully endorses.

* The chairman's proposal does not restore the deductibility of student loan interest payments, which enjoy universal support within the higher education community and bipartisan support in Congress.

* The chairman's mark does not permanently extend employer-provided education assistance*temporarily extended it only through Dec. 31, 1997* and then only for undergraduate study.

* The proposal phases out non-taxability of tuition reduction provided to employees of educational institutions, and thus increases personnel costs at colleges and universities.

AASCU hopes to work with Chairman Archer to address our concerns as he leads the Ways and Means Committee in mark-up.

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IJVKFAAA8000ISKZ@PMDF.EOP.GOV>; Mon, 09 Jun 1997 17:19:16 -0500 (EST)

Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IJVKF95AIO00IU51@PMDF.EOP.GOV>; Mon,

09 Jun 1997 17:19:14 -0500 (EST)

Received: from nchemail.nche.edu ([192.111.222.2])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with SMTP id <01IJVKEH5YH4002QXU@STORM.EOP.GOV>; Mon,
09 Jun 1997 17:18:42 -0400 (EDT)

Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA07545; Mon,
09 Jun 1997 17:13:11 -0400

Received: from aascudomain-Message_Server by aascu.nche.edu with
Novell_GroupWise; Mon, 09 Jun 1997 17:21:57 -0400

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: mcgrew (mcgrew@erols.com@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:10-JUN-1997 21:28:00.00

SUBJECT: [Fwd: Letter]

TO: Robert M. Shireman (Robert M. Shireman@eop [UNKNOWN])

READ:UNKNOWN

TEXT:

Do something on ICR forgiveness and community service. Memo to Gene?

Karl? Linda?===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IJX9GGTDU8001X84@PMDF.EOP.GOV> for shireman_r@a1.eop.gov; Tue,
10 Jun 1997 22:27:16 -0500 (EST)

Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IJX9GF2YJK00260C@PMDF.EOP.GOV> for
shireman_r@a1.eop.gov; Tue, 10 Jun 1997 22:27:13 -0500 (EST)

Received: from smtp1.erols.com ([205.252.116.101])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IJX9FUK5R0002RRK@STORM.EOP.GOV> for shireman_r@a1.eop.gov;
Tue, 10 Jun 1997 22:26:44 -0400 (EDT)

Received: from shireman_r.eop.gov (spg-as64s37.erols.com [207.172.51.164])
by smtp1.erols.com (8.8.5/8.8.5) with SMTP id WAA27184 for
<shireman_r@a1.eop.gov>; Tue, 10 Jun 1997 22:27:11 -0400 (EDT)

X-Mailer: Mozilla 3.01C-KIT (Win95; I)

===== END ATTACHMENT 1 =====

===== ATTACHMENT 2 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

From: nassirianb@aascu.nche.edu@INET@EOPMRX@LNGTWY

*To: mcgrew@erols.com@INET@EOPMRX@LNGTWY

Date: 6/7/97 5:23pm

Subject: Letter

Bob:

I am enclosing the letter for your review. I am
putting the text in plain below, and am enclosing
it as an attachment in WP format.

If you need to call to talk to me, feel free to do
so until late at night, I sleep very late (301)
493-8863.

Dear :

We write to indicate our enthusiastic support for the agreement reached between the President and Congress to devote a substantial portion of any tax cuts to higher education. We congratulate the President and the Congress for their continued efforts to expand access to higher education, and believe that properly crafted tax incentives are an investment in America's future.

We fully endorse the goals articulated by the Administration and congressional leaders in advancing their respective packages of education-related tax cuts. We believe that as Congress works to implement the budget agreement, it has a historic opportunity to produce a final tax package that will enable all Americans to afford postsecondary education for themselves and their children.

We hope that as you examine the specific features of education-related tax benefits, you will join the President in his call for making at least two years of postsecondary education the norm for our citizens. The creation of a broad-based Hope Scholarship program is the single most effective way in which the tax writing committees can make the dream of a better future for all Americans a reality. We believe such a program, if it is correctly designed to provide benefits to our neediest citizens as well as to middle income families, will be a proud legacy for policymakers.

The bipartisan agreement for restoration of deductibility of student loan interest payments is another important tax provision we support. An *above-the-line* deduction for educational borrowing would provide relief to millions of our citizens with student loan payments.

The Administration has proposed that any loan forgiveness for borrowers who make 25 years of payments based on income be non-taxable. We fully endorse this proposal. In an effort to promote greater community service, the Administration has also proposed non-taxability of loan forgiveness by non-profit entities. We believe public colleges and universities should be included in this provision. While public institutions can provide non-taxable loan forgiveness in certain

circumstances under current law, we believe their inclusion in this new provision would simplify the process substantially. Also, we encourage Congress to include a technical expansion of non-taxability to include loan discharge, write-off and compromise.

The Administration and Congress have proposed a variety of additional incentives that merit careful consideration. These include tax-free educational savings accounts, expansion and permanent extension of tax exemption for employer-provided education assistance, tax exemption for work-study earnings and fellowships, as well as proposals to encourage lifelong learning.

An additional proposal we are concerned about is non-taxability of state prepaid tuition plans. We strongly support this in concept, but believe it should apply only to state prepaid tuition plans that are actuarially sound, and that do not create unfunded contingent liabilities for the nation's public institutions.

We appreciate your leadership on these important issues, and stand ready to work with you in the historic task before the Committee.

Sincerely,

James B. Appleberry

===== END ATTACHMENT 2 =====

===== ATTACHMENT 3 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

WPC

2BZA1

Dear :

Barmak NassirianBarmak NassirianXC\ P

QPDefault Parad6'Default Paragraph Font(o*>*o*<szRE#XP\ PQXP#2|0X\$C\ PQP\`*
Times New Roman (TT)XP\ PQXP\`*Times New Roman (TT)X23|x Dear :

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President and Congress to devote a substantial portion of any tax cuts to higher education.

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The Administration has proposed that any loan forgiveness for borrowers who make 25 years of payments based on income be nontaxable. We fully endorse this proposal. In an effort to promote greater community service, the Administration has also proposed nontaxability of loan forgiveness by nonprofit entities. We believe public colleges and universities should be included in this provision. While public institutions can provide nontaxable loan forgiveness in certain circumstances under current law, we believe their inclusion in this new provision would simplify the process substantially. Also, we encourage Congress to include a technical expansion of nontaxability to include loan discharge, writeoff and compromise.

The Administration and Congress have proposed a variety of additional incentives that merit careful consideration. These include taxfree educational savings accounts, expansion and permanent extension of tax exemption for employerprovided education assistance, tax exemption for workstudy earnings and fellowships, as well as proposals to encourage lifelong learning.

An additional proposal we are concerned about is nontaxability of state prepaid tuition plans. We strongly support this in concept, but believe it should apply only to stateprepaid tuition plans that are actuarially sound, and that do not create unfunded contingent liabilities for the nations public institutions.

We appreciate your leadership on these important issues, and stand ready to work with you in the historic task before the Committee.

Sincerely,

James B. Appleberry

===== END ATTACHMENT 3 =====

===== ATTACHMENT 4 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from mx03.mail.erols.com (mx03.erols.com [205.252.116.75])
by mail0.erols.com (8.8.5/8.7.3/970113.001cmo) with ESMTP id KAA20567 for
<mcgrew@mail0.erols.com>; Mon, 9 Jun 1997 10:40:16 -0400 (EDT)

Received: from nchemail.nche.edu (nchemail.nche.edu [192.111.222.2])
by mx03.erols.com (8.8.5/8.8.5/MX-mnd) with SMTP id KAA06275 for
<mcgrew@erols.com>; Mon, 9 Jun 1997 10:37:00 -0400

Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA28216; Sat,
7 Jun 1997 18:19:17 -0400

Received: from aascudomain-Message_Server by aascu.nche.edu with
Novell_GroupWise; Sat, 07 Jun 1997 18:26:47 -0400

===== END ATTACHMENT 4 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Isikes (Isikes@citizen.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:13-JUN-1997 17:23:00.00

SUBJECT: FWD: RE: FWD: RE: FWD: RE: hi

TO: Robert M. Shireman (Robert M. Shireman@eop [UNKNOWN])

READ:UNKNOWN

TEXT:

FORWARDED MESSAGE from (ROBERT\$M@SMTP {Robert_M._Shireman@oa.eop.gov})

R> at 6/13/97 4:36 PM

R> Message Creation Date was at 13-JUN-1997 16:36:00

R>

R> You will be pleased to know that the President has taken your advice,

R> and has announced his support for an above-the-line (i.e. you don't

R> have to itemize to

R> get it) deduction of interest on student loans. It was not included in

R> Archer's proposal in the House, but we expect to see it in the Senate.

LS> ***** NOTES from Lucinda Sikes (LSIKES @ CITIZEN) at 6/13/97 4:46 PM

LS> fyi -- this message is in response to a friend of mine who told Bob

LS> that student loan interest should be deductible. i thought you'd be

LS> interested in bob's response given our lunch conversation.

BW> ***** NOTES from Brian Wolfman (BWOLFMAN @ CITIZEN) at 6/13/97 4:55 PM

BW> I am amazed. You have to itemized to get the mortgage interest

BW> deduction and virtually everything. I have to say I think this is a

BW> little crazy. Interest on student loans is now more important than,

BW> say, huge unreimbursed medical expenses. thanks for sending me the

BW> message. I will assume that this is confidential unless I hear

BW> otherwise.

CM> ***** NOTES from Colette Matzzie (CMATZZIE @ CITIZEN) at 6/13/97 4:59

CM> PM

CM> But if you made folks have to itemize, I think the point is that it

CM> would not benefit a lot of student borrowers who would tend to file the

CM> EZ form. And who would not have an incentive to itemize because their

CM> deductions would not exceed the standard deduction. It is the only way

CM> to ensure that they get the benefit -- make it an adjustment to gross

CM> income. It must be a huge revenue hit though. I think I understand

CM> your point, Brian, but it is hard not to be excited about the prospect

CM> of calling up my parents who pay a lot each month in parental loans for

CM> my brothers' college tuition and letting them know.

***** NOTES from Lucinda Sikes (LSIKES @ CITIZEN) at 6/13/97 5:23 PM

Lucinda Sikes

Public Citizen Litigation Group

1600 20th Street, N.W.

Washington, D.C. 20009

(202) 588-1000===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IK15VHWCJ4002MGW@PMDf.EOP.GOV> for shireman_r@a1.eop.gov; Fri,
13 Jun 1997 17:28:00 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IK15VGS5S0002Y29@PMDf.EOP.GOV> for shireman_r@a1.eop.gov; Fri,
13 Jun 1997 17:27:57 -0500 (EST)

Received: from prince.essential.org by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA03885; Fri, 13 Jun 1997 17:27:56 -0400

Received: from mail.citizen.org (mail.citizen.org [198.4.52.52])
by prince.essential.org (8.8.5/8.8.5) with SMTP id RAA24754 for
<shireman_r@a1.eop.gov>; Fri, 13 Jun 1997 17:26:27 -0400 (EDT)

Received: from Connect2 Message Router by mail.citizen.org via Connect2-SMTP
4.01.b28; Fri, 13 Jun 1997 17:25:04 -0500

Organization: Public Citizen

X-Mailer: Connect2-SMTP 4.01.b28 MHS to SMTP Gateway

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: tombutts (tombutts@umich.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:14-JUN-1997 09:34:00.00

SUBJECT: TAX ON TEACHING & RESEARCH ASSISTANT TUITION

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

Thought you would find this from the National Association of Graduate and

Professional Students helpful. - tom

Date: Fri, 13 Jun 1997 15:28:42 -0700

From: nagps@netcom.com (NAGPS)

To: nagps-update@nagps.org

Subject: House Cmte Votes 1000% Tax Increase on Grad Students

Message-ID: <199706132228.PAA00661@nagps.nagps.org>

ALERT

6/13/97

Tax Scenarios Show Loss of Section 117d

Could Increase Grad Student Taxes by up to 1000%

or more than \$500/month

SEVEN STUDENT TAX RETURNS BELOW

Washington, DC . . . The House Ways and Means Committee has voted in favor

of a tax bill that includes among its provisions a tax increase on

graduate teachers and researchers of up to 1000% (one thousand percent).

In a vote strictly on party lines, the Committee approved the tax proposal originally offered by Chairman Bill Archer (R-TX). Quick surveys done by NAGPS have concluded that the tax proposal would dramatically increase tax burdens on graduate students making less than \$15,000 per year.

Among the various changes to the tax code, the Chairman's proposal would eliminate Section 117d of the Internal Revenue code. Section 117d currently protects from taxation the tuition waivers often granted by universities to graduate teaching and researchers in return for teaching up to 40% of the courses on some of the nation's largest university campuses.

Because the value of tuition waivers often exceeds stipends also paid to TAs and RAs, counting those waivers as income has the potential to increase taxes by thousands of dollars per student per year. Seven student scenarios (listed below) illustrate how some students will pay 1000% (one thousand percent) more in taxes, or up to more than \$500 per month.

In response, NAGPS (the National Association of Graduate-Professional Students) is calling upon students, faculty and administrators throughout the United States to contact members of Congress to protest this new tax. Graduate students throughout the US have expressed shock and surprise at the proposal, with email listserves, web sites and word-of-mouth quickly alerting students.

"It is sad that a bill being offered to make taxes 'more fair' has

instituted a brand new tax on students many of whom earn less than \$15,000 per year," said NAGPS Executive Director Kevin Boyer. "It is also a shame that, instead of taking a pro-graduate-education stance in this bill, the committee chose instead to offer no incentives for graduate education." NAGPS had anticipated that the tax legislation would extend a tax deduction for student loan interest, and would offer a tax incentive to employers who sought to pay for employees' graduate school. Both provisions have widespread bipartisan support and were promised in 1996 Congressional or Presidential campaigns.

Those interested in learning more about the tax bill should visit the NAGPS web site at <http://www.nagps.org/NAGPS/>. NAGPS is also running a legislative alert email list. To be placed on the list, send an email request to nagps@netcom.com

#####

NAGPS Asked: What if Section 117d were eliminated?

What could be the effect on your tax bill?

These students represent some of the effects.

STUDENT #1

Female PhD Student

Asian Languages & Culture

University of Michigan/Ann Arbor

CURRENT LAW SCENARIO

1997 Gross: \$ 8,333
Projected 1997 Income Tax: \$ 268
1997 Net Income \$ 8,065

NO SECTION 117D SCENARIO

Stipend Income: \$ 8,333
Tuition waiver (2 x \$9470): \$18,940
Total Income: \$27,273
Projected 1997 Income Tax: \$ 3,109 (+ 1160%)
Tuition Paid: \$18,940
1997 Net Income \$5,224 (-\$237/mo)

STUDENT #2

Married Couple, filing jointly; Male PhD student at the University of Alabama/Huntsville, both residing in Huntsville, Alabama. Recently married. Husband is student at the University of Alabama/Huntsville. Wife lost her job in 1996 and has augmented income with painting homes.

CURRENT LAW SCENARIO

1996 Gross: \$39,836
1996 Tax: \$ 4,405
1996 Net Income \$35,431

NO SECTION 117D SCENARIO

Stipend Income: \$39,836
Fellowship Income: \$ 6,000
Total Income: \$45,836

Projected 1996 Income Tax: \$ 5,081 (+ 15%)

Tuition Paid: \$ 6,000

1996 Net Income \$34,755 (-\$56/mo)

STUDENT #3

Female PhD Student

Worcester Polytechnic Institute

Resides in Millbury, Massachusetts

CURRENT LAW SCENARIO

1996 Gross: \$14,400

1996 Federal/State Tax: \$ 2,390

1996 Net Income \$12,500

NO SECTION 117D SCENARIO

Stipend Income: \$14,400

Tuition Waiver Income: \$10,680

Total Income: \$25,080

Projected 1996 Income Tax: \$ 3,992 (+67%)

Tuition Paid: \$10,680

1996 Net Income \$10,488 (-\$168/mo)

Student says: ="This would leave me with 10,400, or about 870 per month.

I

pay 450 in health insurance, 600 in car insurance, 400 per month for rent, and about 100 per month for utilities. This leaves me about 280 per month for food, clothing, books, entertainment, gas, and other incidental

expenses. I have enough trouble as it is living on the 1000 dollars per month that I currently make after taxes. I never see the extra 10,680 dollars that go for my tuition ; they are not in my pocket. If this tax bill is passed, I would seriously consider leaving graduate school, as I do not think that I could afford to live on the pay that I would take home."

STUDENT #4

Male PhD Student

University of Delaware

Resides in Newark, Delaware

CURRENT LAW SCENARIO

1997 Gross:	\$ 9,600
1997 Federal/State Tax:	\$ 838
1997 Net Income	\$ 8,762

NO SECTION 117D SCENARIO

Stipend Income:	\$ 9,600
Tuition Waiver Income:	\$11,250
Total Income:	\$20,850
Projected 1997 Income Tax:	\$ 2,527 (+201%)
Tuition Paid:	\$11,250
1996 Net Income	\$ 7,073 (-\$141/mo)

Student says: "To offset the tax difference (\$1,713 at least) for me, and to compensate for the increased tax withheld from an increased stipend, the

university would have to increase my stipend by more than 20 percent \$1,985 bringing it from \$9,600 to \$11,585." How can they do this without increasing tuition?

STUDENT #5

Male PhD Student is a Research Assistant on an EPA Grant and studies at Worcester Polytechnic Institute Resides in Worcester, Massachusetts.

CURRENT LAW SCENARIO

1996 Gross:	\$14,000
1996 Federal/State Tax:	\$ 549
1996 Net Income	\$13,451

NO SECTION 117D SCENARIO

Stipend Income:	\$14,000
Tuition Waiver Income:	\$11,280
Total Income:	\$25,280
Projected 1996 Income Tax:	\$ 3,797 (+691%)
Tuition Paid:	\$11,280
1996 Net Income	\$10,203 (-\$270/mo)

Student says: Each year, I pay \$3960 rent, \$480 health insurance, \$360 bus pass, \$240 phone, \$600 other utilities, \$130 membership in two professional societies (American Chem. Soc. and Water Environment Fed.), and \$60 to maintain a checking account, for a total of \$5830 in expenses before food.

I spend another \$300 on books and supplies (grad books are expensive!). I'm

frugal - I can maintain a home and eat for \$10/day, or \$3650/yr. That leaves \$3671, or \$306/month for entertainment, clothing, Christmas presents for my nieces, prescription medicines, non-prescription medicines, film developing, and a suit when I graduate. But this bill would leave me with \$299, or \$16.58/month. Maybe I won't need that suit."

STUDENT #6

Female PhD Student

Involved with Dartmouth College Graduate Student Council, Resides in Hanover, New Hampshire

CURRENT LAW SCENARIO

1996 Gross:	\$13,538
1996 Federal/State Tax:	\$ 1,429
1996 Net Income	\$12,109

NO SECTION 117D SCENARIO

Stipend Income:	\$13,538
Tuition Waiver Income:	\$29,128
Total Income:	\$42,665
Projected 1996 Income Tax:	\$ 7,709 (+539%)
Tuition Paid:	\$29,128
1996 Net Income	\$ 5,828 (-\$523/mo)

Student says: "Therefore, Dartmouth graduate students would have paid \$6280 more in taxes, which would have made our income \$7258 for the year (46%

decrease). It would not be possible to live in the area on that wage.

For 1997, the tuition is now \$30,528. I hope this helps! I sent the word out to all Arts and Sciences graduate students at Dartmouth yesterday (291 of us we're a small grad institution) and all who have responded are very upset. It just would not be possible for any of us to pursue a career in research and education if this tax bill passes. As graduate students, we do not expect high incomes in our chosen fields and, to be here now, we are sacrificing health benefits, pension plans, and high incomes during our 20s and 30s. All of this we do to become educators and educated researchers for the United States. Shouldn't they be encouraging us??

STUDENT #7

Married Couple

Wife is a student at George Washington University. Husband employed by federal government. Resides in Alexandria, Virginia

CURRENT LAW SCENARIO

1996 Gross:	\$50,528
1996 Federal/State Tax:	\$ 5,950
1996 Net Income	\$44,578

NO SECTION 117D SCENARIO

Stipend Income:	\$50,528
Tuition Waiver Income:	\$ 9,050
Total Income:	\$59,578
Projected 1996 Income Tax:	\$ 8,164 (+37%)

Tuition Paid: \$ 9,050

1996 Net Income \$42,364 (-\$185/mo)

=====

|>>>> The National Association of Graduate - Professional Students <<<<|

| 825 Green Bay Road, Suite 270 PHONE: 847-256-1562 |

| Wilmette, IL 60091 FAX: 847-256-8954 |

| Toll Free 1-888-88-NAGPS * Email to: NAGPS@NETCOM.COM |

Thomas A. Butts

Associate Vice President for University Relations

University of Michigan

202-554-0578, FAX 202-554-0582, tombutts@umich.edu

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01IK26IB9PG0002NPV@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Sat,

14 Jun 1997 10:56:23 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01IK26IA0FFK002REO@PMDF.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Sat,

14 Jun 1997 10:56:22 -0500 (EST)

Received: from mothra.rs.itd.umich.edu by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA05118; Sat, 14 Jun 1997 10:56:20 -0400

Received: from [198.108.57.33] by mothra.rs.itd.umich.edu (8.8.5/2.2)

id KAA14693; Sat, 14 Jun 1997 10:46:23 -0400 (EDT)

X-Sender: tombutts@t.imap.itd.umich.edu

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Isikes (Isikes@citizen.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-JUN-1997 10:13:00.00

SUBJECT: Re: FWD: RE: FWD: RE: hi

TO: Robert M. Shireman (Robert M. Shireman@eop [UNKNOWN])

READ:UNKNOWN

TEXT:

FORWARDED MESSAGE from Brian Wolfman (BWOLFMAN @ CITIZEN) at 6/16/97

BW> 6:12 PM

BW> Lots of people don't own homes, like for instance all the many rich

BW> people living in Manhattan. And while you are correct that people with

BW> home mortgages or home equity loans do not take the standard deduction

BW> but rather itemize, you wrongly make the assumption (I think) that

BW> those people get the full value of the mortgage interest deduction as

BW> would those who could take a student loan deduction without itemizing.

BW> However, if I have \$8,000 in interest deductions and taxes, and the

BW> standard deduction is \$5,500, the advantage of itemizing is limited, of

BW> course, to only the part that exceeds the standard deduction. That is

BW> not true of the proposed deduction for student loans for which, as I

BW> understand it, every dollar would be truly deductible over and above

BW> the standard deductible. Amazingly, Congress would be saying that the

BW> most important thing to be deductible is student loan interest, even

BW> for the very rich. I still think that is nutty.

BW>

BW> My main concerns about education are (1) that our public universities

BW> and colleges remain excellent; and that (2) students who wish to attend

BW> college (and can reasonably be expected to achieve) are not prevented

BW> from doing so because they are poor. These objectives are somewhat

BW> different from saying that students should be encouraged to go to

BW> college.

BW>

BW> The twin aims that are important to me can be much better achieved by

BW> direct grants to colleges and students in need. I find it particularly

BW> troubling, as I said before, that relatively wealthy people will have

BW> their tuitions in effect paid for by ordinary working people.

***** NOTES from Lucinda Sikes (LSIKES @ CITIZEN) at 6/17/97 10:08 AM

I absolutely agree that direct grants to colleges and students would be

much better. Unfortunately, (and I'm not saying this makes it right) the

American public thinks of tax deductions & loans differently than they do

about grants. And, again, the public wants a middle class tax cut -- this

is one.

Lucinda Sikes

Public Citizen Litigation Group

1600 20th Street, N.W.

Washington, D.C. 20009

(202) 588-1000===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01IK6BY7KV0G003EVT@PMDF.EOP.GOV> for shireman_r@a1.eop.gov; Tue,
17 Jun 1997 10:15:56 -0500 (EST)

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IK6BY6QURK003E3P@PMDF.EOP.GOV> for
shireman_r@a1.eop.gov; Tue, 17 Jun 1997 10:15:55 -0500 (EST)

Received: from prince.essential.org ([198.4.52.50])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01IK6BXGF4CG002RZX@STORM.EOP.GOV> for shireman_r@a1.eop.gov;
Tue, 17 Jun 1997 10:15:20 -0400 (EDT)

Received: from mail.citizen.org (mail.citizen.org [198.4.52.52])

by prince.essential.org (8.8.5/8.8.5) with SMTP id KAA00966 for

<shireman_r@a1.eop.gov>; Tue, 17 Jun 1997 10:16:41 -0400 (EDT)

Received: from Connect2 Message Router by mail.citizen.org via Connect2-SMTP
4.01.b28; Tue, 17 Jun 1997 10:16:59 -0500

Organization: Public Citizen

X-Mailer: Connect2-SMTP 4.01.b28 MHS to SMTP Gateway

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: tombutts (tombutts@umich.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:20-JUN-1997 19:55:00.00

SUBJECT: Update on Senate Finance Co

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

fyi

>Date: 20 Jun 1997 17:58:08 -0400

>From: "CFR List" <CFRList@aaumail.aau.edu>

>Sender: "LaJuan Jeffries" <lajuan_jeffries@aaau.edu>

>Subject: Update on Senate Finance Co

>To: "cfr list" <cfrlist@aaumail.aau.edu>, "L" <L@aaau.edu>

>

>MEMORANDUM

> Association of American Universities

> 1200 New York Avenue, Suite 550, Washington, DC 20005

> (202) 408-7500 * Fax (202) 408-8184

> WWW site: www.tulane.edu/~aaau

> -----

> Subject: Update on Senate Finance Committee Tax Bill

> Date: June 20, 1997

> To: AAU Presidents and Chancellors

> From: Cornelius Pings

>

>

>

>

><<<<<< Attached TEXT file named "CJP Memo to Pres/roth bill" follows

>>>>>>

>

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>

>

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>

>MEMORANDUM

>

>To: AAU Presidents and Chancellors

>From: Cornelius J. Pings

>Subject: Update on Senate Finance Committee Tax Bill

>Date: June 20, 1997

>

>Yesterday evening, the Senate Finance Committee 18-2 approved a tax bill
that

>includes about \$32 billion in tax breaks for higher education. A brief

>summary of the higher education provisions in the bill is attached.

>

>The Senate Finance bill, by and large, is a good bill for higher education

>and is viewed as such by most of the higher education community.

Attached is

>a letter to this effect that was sent by AAU and the National Association
of
>Independent Colleges and Universities to Senate Finance Committee Chairman
>Bill Roth (R-DE). A similar letter was sent to Chairman Roth by other
>presidential higher education associations.
>
>As I reported earlier, five of the six presidential higher education
>associations have agreed upon six elements we want to see in a tax bill
this
>year. Although we represent different constituencies and have had
divergent
>opinions on some points, the six associations are working hard to reach
>agreement and adopt common positions where we can.
>
>The Senate Finance plan is a significant improvement over the House Ways
and
>Means tax bill, which was marked up last week, for several reasons:
>
>oThe plan does not phase out Internal Revenue Code Section 117(d) and
>therefore does not tax the tuition waivers received by RAs and TAs or
college
>employees.
>
>oThe plan does not remove the tax exemption for TIAA-CREF.
>
>oThe plan includes five of the six elements that we have asked the
Committee

>to include in a tax package: a Hope tax credit, savings incentives, a
>student loan interest deduction, permanent extension of Section 127
>employer-provided education assistance for both undergraduate and graduate
>education, and removal of the \$150 million cap on tax-exempt bonds. (The
>plan does not include a tuition tax deduction.)

>

>oThe plan treats graduate education on par with undergraduate education.

>

>This is not to say that the Roth plan cannot be improved. We would like
to

>see the plan include a tuition tax deduction. Also, we support the view
of

>the higher education community that the Hope tax credit should be made
more

>accessible to low-income families. However, it is our view that the
Senate

>Finance Committee bill takes us a giant step forward towards our stated
goal

>of the six elements we would like to see in a tax bill, and we are hopeful

>that as the process continues, the legislation will include the
modifications

>that we suggest above.

>#012#AAU will also be working closely with the Administration. We should

>remember that the Administration's leadership on behalf of tax breaks

>targeted to higher education has brought us to the point we are at now.

>Moreover, the improvements we would like to see in the Senate Finance

>Committee bill-modification of the tax credit and addition of a tuition

tax

>deduction-are core elements of the Administration plan.

>

>The full Senate and House are expected to consider their tax bills next

week.

> We will keep you apprised of amendments and other developments that
could

>affect the higher education portion of either bill.

>

>cc: Council on Federal Relations

>

>Enclosures#012#Summary of Senate Finance Committee Chairman William Roth's

>(R-DE) Tax Proposal: Provisions Affecting Higher Education

>

>

>

>Hope Scholarship: Administration's HOPE scholarship tax credit as
modified --

>drop B average requirement, credit is 50% of up to \$3,000 (75% of up to

>\$2,000 for students attending community colleges and technical schools)

>adjusted out of pocket tuition expenses and books required for attendance

>(phaseout \$40,000 - \$50,000 singles/ \$80,000 - \$100,000 joint), require
high

>school diploma or equivalent thereof to claim HOPE scholarship credit.

>

>Student loan interest deduction: (\$2,500 above-the-line deduction,
phaseout

>\$40,000-\$50,000 singles/\$80,000-\$100,000 joint), deduction amounts are

>indexed, income limits indexed beginning in 2003.

>

>Section 127 Made Permanent: Permanent extension of employer-provided

>educational assistance (Section 127) for graduates and undergraduates.

>Effective date: taxable years beginning after December 31, 1996.

>

>IRA Expansion: Penalty-free withdrawals from all IRAs for post-secondary
and

>graduate education.

>

>Education IRAs: Allow contributions of \$500 child tax credit, and \$2,000

>nondeductible contributions; tax-free inside buildup; tax-free
withdrawals if

>used for tuition, room and board and graduate education; create prepaid
plans

>for private education institutions (\$2,000 per year).

>

>Tax-free Treatment of State-sponsored Tuition Plans: Allow tax-free

>withdrawals from qualified State-sponsored tuition programs, expanded to

>include room and board.

>

>Repeal \$150 Million Bond Cap: Repeal \$150 million limit on tax-exempt

>section 501(c)(3) bonds for new capital expenditures.

>

>\$500 Child Tax Credits: \$500 tax credits paid to children between ages 13

>and 17 must be deposited in an education savings account.

>

>No Change to Tuition Reduction Benefits: The provision in the House Ways
and

>Means Committee bill phasing out tax-free tuition reduction benefits for

>university employees, including graduate students, under Internal Revenue

>Code Section 117(d), is not included in the Senate Finance Committee bill.

>

>Preserves TIAA-CREF Tax-Exempt Status: A provision in the House Ways and

>Means Committee bill removes TIAA-CREF's tax-exempt status, which will
have

>the effect of lowering the value of pensions held by TIAA-CREF. This

>provision is not included in the Senate Finance Committee

bill.#012#AAU/NAICU

>Letter to Senator William Roth (R-DE) and Daniel Patrick Moynihan (D-NY)

>

>

>

>June 18, 1997

>

>The Honorable William V. Roth, Jr.

>Chairman

>Committee on Finance

>United States Senate

>219 Dirksen Senate Office Building

>Washington, D.C. 20510

>

>Dear Chairman Roth:

>

>We are writing to express our great appreciation for including several tax
>proposals important to the higher education community in your Chairman's
>mark. The bipartisan support for helping families pay for higher education
>reflects the importance of a college education in today's society.

>

>We believe that the higher education-related tax provisions being
considered
>by the Senate Finance Committee tomorrow will make higher education more
>accessible for undergraduate and graduate students, and will help ensure
that
>the nation has the highly educated, well-trained workforce it will need
for
>the 21st century.

>

>We would like to commend you in particular for including a number of very
>important provisions in your bill, including the restoration of the
student
>loan interest deduction, the permanent extension of section 127 for both
>undergraduate and graduate classes, meaningful savings incentives, and the
>elimination of the \$150 million tax-exempt bond cap.

>

>We appreciate the leadership you have demonstrated in crafting this
package
>of higher education tax proposals. We look forward to working with you
>further to implement your ideas as well as the key elements of President
>Clinton's proposals.

>

>Sincerely,

>

>

>Cornelius J. Pings

>President

>Association of American Universities

>

>David L. Warren

>President

>National Association of Independent Colleges and Universities

>

>

>*Identical Letter Sent to Senator===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <011KB5J4M6N4001WMG@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Fri,

20 Jun 1997 21:05:56 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <011KB5J3BU1S0049RP@PMDF.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Fri,

20 Jun 1997 21:05:54 -0500 (EST)

Received: from mothra.rs.itd.umich.edu by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA29933; Fri, 20 Jun 1997 21:05:51 -0400

Received: from [198.108.57.14] by mothra.rs.itd.umich.edu (8.8.5/2.2)
id VAA11316; Fri, 20 Jun 1997 21:05:45 -0400 (EDT)

X-Sender: tombutts@t.imap.itd.umich.edu

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: dauster (dauster@erols.com@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:22-JUN-1997 16:16:00.00

SUBJECT: Backloading of Roth Tax Proposal

TO: Ananias Blocker III (Ananias Blocker III@eop [UNKNOWN])

READ:UNKNOWN

TO: Barbara Chow (Barbara Chow@eop [UNKNOWN])

READ:UNKNOWN

TO: Charles R. Marr (Charles R. Marr@eop [UNKNOWN])

READ:UNKNOWN

TEXT:

F.Y.I.:

Subject: CBPP: Roth Tax Plan

Date: Fri, 20 Jun 97 14:08:14 PDT

From: Patrick Lester <lesterp@RTK.NET>

=====

ROTH TAX PLAN USES BACKLOADING DEVICES TO HOLD DOWN COSTS IN
EARLY YEARS; COSTS FOR PROVISIONS BENEFITING HIGHER-INCOME
TAXPAYERS SUBSEQUENTLY MUSHROOM

=====

Net Cost in Second 10 Years Estimated at \$550 Billion to \$650

Billion

by Iris J. Lav and Robert Greenstein

Center on Budget and Policy Priorities

June 19, 1997

The tax plan unveiled this week by Senate Finance Committee Chairman William Roth is designed in a fashion that keeps its costs artificially low in the initial years so that the plan fits within the cost limits the budget agreement sets. The Roth proposal, however, includes an array of costly tax cuts - primarily for higher-income taxpayers - that swell in cost over time.

The Roth plan is not as backloaded in cost or as regressive as the tax plan the House Ways and Means Committee approved last week. Nevertheless, it ultimately becomes a package that is both very expensive and heavily tilted in favor of upper-income taxpayers. And while it lacks the capital gains indexing provision in the Ways and Means bill and some of the Ways and Means Committee's corporate tax cuts, its estate tax and Individual Retirement Account expansions are larger than those in the House package.

* The cost of the Roth tax package will start to explode toward the end of the 10-year period, averaging 10.5 percent annual growth in the final two years of the period. Between 2005 and 2007, the cost of the Roth tax cuts jumps \$3.7 billion a year, a level of growth that would continue for some years thereafter.

* The net tax cut would lose \$40 billion in 2007, the tenth

year. This is more than double the \$17 billion annual average cost of the tax cut in the first five years.

* Some 44 percent of the \$250 billion cost of the tax cut over the 10-year period - or \$109 billion - is packed into the last three years of this period.

* The cost of provisions primarily benefiting higher-income taxpayers - capital gains and estate tax cuts and IRA expansions - are even more heavily backloaded. Nearly 60 percent of the \$98 billion cost of these upper-income tax reductions over the 10-year period are delayed until the last three years of the period.

* Together, the capital gains, estate tax, and IRA provisions (including the new education IRA) reach a cost of \$22 billion in a single year in 2007, the tenth year. This is more than six times the \$3.4 billion annual average cost of these provisions from 1998 through 2002.

The costs of key elements of the Roth tax cut, especially those benefiting higher-income taxpayers, would continue to grow substantially in the years beyond 2007. Based on the Joint Tax Committee's estimate of the year-by-year costs of the tax cut in the first 10 years and the design of these proposals, we estimate the Roth tax proposals would lose between \$550 billion and \$650 billion in the second 10-year period, from 2008

through 2017. (See box on page 7 for a discussion of these estimates and the methodology underlying them.) This is the period when the baby boom generation begins to retire and deficits are forecast to rise to alarming levels that will damage the economy unless unprecedented austerity measures are instituted.

The heavy backloading of provisions that provide most of their tax cut benefits to high-income individuals allows Senator Roth to fit an extensive array of tax cuts within the cost constraints that the budget agreement establishes for the initial five-year and ten-year periods. The backloading devices also serve to mask the fact that when fully in effect, the Roth tax plan is heavily tilted toward those on the upper rungs of the economic ladder.

* The three tax provisions of the Roth proposal most heavily skewed to taxpayers at high income levels are the capital gains, IRA, and estate tax changes. CBO analysts have found that the five percent of individuals with incomes exceeding \$100,000 receive 75 percent of capital gains income in any year. These individuals would secure the lion's share of the Roth capital gains tax cut.

* In the IRA area, the bottom two-thirds of tax filers already are eligible for IRA tax breaks; the principal effect of the IRA tax breaks in Senator Roth's plan is to restore generous

IRA tax preferences to the top third of filers. Past experience with IRAs demonstrates that when they are available to households at all income levels, they are used much more heavily by high-income taxpayers than by others. In addition, IRA tax preferences are worth more than twice as much to those in the top income tax brackets 7 the 31 percent, 36 percent, and 39.6 percent brackets 7 than to middle-income families in the 15 percent brackets. A Joint Tax Committee analysis several years ago estimated that 95 percent of the tax benefits of restoring generous IRA tax preferences to those now ineligible for them would accrue to the top fifth of taxpayers.

Under the Roth plan, taxpayers with children - regardless of income level - would be eligible to establish additional IRAs for each child. If the usage of these new "education IRAs" were to mirror IRA usage prior to 1986, when IRAs were available to taxpayers at all income levels, the benefits of the education IRAs also would accrue primarily to higher-income taxpayers. In 1986, some 82 percent of IRA deductions were taken by the highest-income third of individuals who filed tax returns. Furthermore, since higher-income taxpayers face higher marginal tax rates than do taxpayers at lower income levels, the share of the IRA tax benefits that went to the top third of taxpayers was substantially greater than 82 percent.

* In the estate tax area, the Roth proposal raising the amount of an estate exempt from tax would benefit heirs of the top two

percent of estates. Other estates already are exempt from this tax.

The IRA, estate tax, and capital gains provisions of the Roth plan make heavy use of gimmicks - including timing shifts in revenue collections and slow phase-ins - to minimize the revenue losses that these tax cuts would cause during the first five years, as well as for several years thereafter.

Ultimately, however, these upper-income tax cut provisions become extremely expensive.

* Senator Roth has proposed two types of IRA expansions. One type, like the Ways and Means Committee version, is designed to defer most of the revenue loss it causes until after the end of the initial 10-year period. These "backloaded" IRAs, known as "IRA Plus" accounts, also are engineered so that billions of dollars in taxes the federal government normally would collect after 2002 (and largely after 2007) would be collected between fiscal years 1999 and 2002 instead.

These backloaded IRA gimmicks are used to mask the cost of other IRA tax breaks, especially during the first five years. In addition to establishing the new backloaded IRAs, Senator Roth proposes to increase the income limits below which taxpayers who also are covered by employer-sponsored retirement plans may make deductible deposits to IRAs. He also proposes to eliminate income limits on deductible deposits to IRAs for taxpayers whose spouses are covered by employer-sponsored

retirement plans. While the cost of the IRA provisions in the Roth plan is \$3.3 billion over the first five years, according to the Joint Tax Committee, the cost increases six-fold to \$20.5 billion in the second five-year period from 2003 to 2007.

In 2007, the cost equals \$5.5 billion in a single year and is growing at a rate of more than \$500 million a year.

Ultimately, the annual revenue loss from the IRAs expansions would reach double-digit levels.

* The Roth plan would create still another IRA tax break in the form of an education IRA, which would work much like the backloaded IRA Plus accounts. Taxpayers at all income levels would be eligible to deposit up to \$2,000 each year for each child, plus the amount of any child tax credit received; interest earned on the accounts would be forever free of tax if the funds were ultimately withdrawn for higher education expenses. Funds not used for education expenses could be withdrawn for other purposes or rolled over, free of tax, to a regular IRA account. By 2007, the education IRAs would add another \$3.4 billion a year to the annual revenue loss, with the cost of these IRAs continuing to rise.

* The estate tax cuts in the Roth plan are noteworthy for the slow pace at which these cuts would be phased in. The Roth proposal raises the estate tax exemption from \$600,000 to \$1 million over 11 years. The exemption reaches the \$1 million level in 2008, one year later than under the Ways and Means

Committee plan. This slow phase-in results in an even greater degree of backloading than may initially be apparent. Probate and settlement of an estate generally must precede tax filing, and most estate tax returns for people who die in a given year are filed one to three years later. Due to the time needed for legal proceedings regarding estates, the effects of the \$1 million exemption level would not begin to be felt until several years after 2008. The full cost of the estate tax cut would not be felt until well after the end of the initial 10-year period.

Senator Roth goes beyond the Ways and Means Committee proposal by allowing an additional \$1 million of an estate that includes a "qualified family-owned business or farm" to be sheltered from estate taxes. This provision applies without regard to the size of the family-owned business. While the term "family-owned business" conjures up a neighborhood grocery store, such businesses would be unlikely to have sufficient net value to derive any benefit from this provision. On the other hand, some of the largest businesses in the country - businesses with annual sales and profits in the billions of dollars such as Mars candy, Cargill agribusiness, Continental Grain, and Koch Oil - are family owned and controlled.

The estate tax provisions would lose \$6.5 billion in the first five years but \$28.6 billion, or more than four times as much, in the second five years. In 2007, the loss would equal \$8.3 billion in a single year. At that point, the revenue loss from this provision is rising sharply.

* While the Roth plan does not include the costly, backloaded capital gains indexing provision adopted by the Ways and Means Committee, it does contain an expensive capital gains rate cut that grows in cost over time. In the initial years after enactment, the reduced rate is assumed to bring in a boomlet of additional revenues, because some taxpayers who would hold their assets at the higher tax rate would presumably be willing to sell them at a lower tax rate. Thus, the Roth capital gains rate cut is assumed to raise \$8.6 billion in revenues in the first three years after enactment. Moreover, the revenue losses average only \$460 billion a year over the 1998-2002 period. But the cost rises in subsequent years, reaching an annual cost of \$4.4 billion by 2007.

By contrast, the major tax cut provisions that largely benefit middle-income taxpayers do not mushroom in cost over time; that is a characteristic primarily of the Roth plan's upper-income tax cuts. The two proposal provisions largely targeted to middle- and upper-middle-income families the child tax credit and the HOPE scholarships - have costs that remain steady over the 10-year period. The \$22 billion cost of these two provisions together in 2007 is slightly less than the \$22.8 billion cost in 1999.

As the cost of provisions benefiting higher-income taxpayers increases over time and the cost of child tax credit and the

HOPE scholarships remains constant, the benefits of the tax package as a whole becomes increasingly skewed toward upper-income taxpayers.

* The Joint Tax Committee tables show that taken together, the capital gains, estate tax, and IRA provisions (including the education IRA) would lose a total of \$15.8 billion during the years through 2002. In the second five years, from 2003 through 2007 - the revenue loss from these provisions jumps to \$81.8 billion, five times as much as the loss in the initial five-year period.

* Furthermore, these figures do not reflect other major tax cuts in the package that would confer very sizable shares of their tax cut benefits on high-income taxpayers. For example, while the increase in the exemption from the individual alternative minimum tax will prevent middle-income taxpayers from becoming subject to a provision that never was intended to affect them, it also will lower the taxes of higher-income taxpayers.

This provision also grows in cost substantially over time. Eventually, the Roth plan becomes a piece of legislation whose predominant effect is to provide upper-income tax relief and enlarge the after-tax incomes of those in the wealthiest strata of society.

* Tables from the Treasury Department, which measure the effect

of the tax cuts as they would be effective in 2007, find that more than 65 percent of the revenue loss resulting from the tax cuts would benefit the top 20 percent of taxpayers. The benefit going to the highest-income one percent of taxpayers would be greater than the benefit shared by the bottom 60 percent of all taxpayers.

These tax cuts for upper-income taxpayers would mushroom in cost just as the baby boom generation is beginning to retire. Both CBO and GAO long-term forecasts indicate that deficits will shoot up in the baby boom generation's retirement years, as Medicaid, Medicare and Social Security costs rise substantially while the ratio of workers to retirees falls. These long-term forecasts show that deficits are expected to reach levels in these years that would cause serious damage to the economy over time.

BOX: Features of Roth Child Tax Credit Increase Plan's Regressivity

The Roth plan denies the child credit to four million children in lower-middle income families that would have received the credit under early versions of the child credit. Like the version approved by the House Ways and Means

Committee, the Roth plan denies the credit to these children by limiting the credit to families that have an income tax liability after the earned income tax credit is computed. Earlier versions of the credit would have provided it to families that had an income tax liability before the EITC is computed.

This change would deny the credit to several million families in the \$15,000 to \$30,000 range and would raise to 40 percent the proportion of children that would fail to qualify for the credit because their families' incomes are not high enough. While reducing the number of lower-middle-income children qualifying for the credit, the Roth plan does not scale back the number of children at higher income levels who qualify for it. While 40 percent of children would not qualify for the credit because their families' incomes are not high enough, fewer than three percent would fail to qualify because their families' incomes are too high.

BOX: Cost in Second Ten Years Likely to Be \$550 Billion to \$650 Billion

The cost of a number of the provisions in the Roth tax package grow substantially in cost over time. The cost in 2007 of the tax cuts primarily benefiting higher-income taxpayers -

the capital gains, estate tax, and IRA provisions - is six times greater than the average annual cost of these provisions from 1998 through 2002, and costs are continuing to grow at the end of the 10-year period. The tax cut is likely to lose between \$550 billion and \$650 billion in the second 10-year period, from 2008 through 2017. Several methods of estimating the cost of the Roth tax cuts during the second 10-year period produce similar results.

One conservative method of estimation is to assume that the cost of the tax cuts will grow by the same dollar amount in each year from 2008 through 2017 as the average amount the Joint Tax Committee revenue tables show the cost will grow from 2004 through 2007. Using that assumption, the annual cost of the tax cut would rise from \$40.2 billion in 2007 to \$74 billion in 2017. Estimated in this manner, the total cost of the tax cut in the 10-year period from 2008 through 2017 would be \$588 billion.¹

Using the average annual increment in cost between 2004 and 2007 as the basis for projection, however, does not fully capture the rate at which the tax cut is growing in cost at the end of the first 10 years. For a number of reasons, the backloaded IRAs, some of the estate tax provisions, and changes in the individual alternative minimum tax are likely to continue for a number of years to rise in cost at rates similar to the rates at which these provisions are growing at the end

of the initial 10-year period. Backloaded IRAs generally are estimated not to reach a stable cost until withdrawals balance new deposits, probably sometime in the latter part of the second decade after enactment. In addition, the rate of growth of the estate tax provisions would remain high for a few years into the second decade; the increase in the amount of an estate excluded from taxation would be fully phased in by 2008, but the extended time it normally takes to settle estates - and thus to pay the taxes on them - would postpone the full revenue loss from being felt for an additional three or four years.

Thus an alternative, still-conservative estimate would assume that the average rate at which the tax cut would grow between 2004 and 2007 would continue through 2010; for the remaining seven years through 2017, the growth in cost is assumed to fall back to the rate of GDP growth.² Under these assumptions, the cost in the 10-year period from 2008 through 2017 would be \$599 billion.

The high rate at which the tax cut is growing at the end of the first 10 years may continue for more than three years beyond the initial ten. A third potential method of estimation would assume that the average rate at which the tax cut would grow between 2004 and 2007 would continue through 2012, the middle of the second decade after enactment. For the remaining five years through 2017, the growth in cost is

assumed - under this third method - to fall back to the rate of GDP growth. This method may still be conservative, because the cost of IRAs (as well as some other tax breaks) is likely to continue to grow at rates exceeding GDP in years beyond 2012. Under this set of assumptions, the cost of the tax cut would rise from \$40.2 billion in 2007 to \$82 billion in 2017, and the cost in the 10-year period from 2008 through 2017 would be \$645 billion.

1 The increases in cost of the Roth tax cuts are \$2.8 billion from 2004 to 2005, \$3.3 billion from 2005 to 2006, and \$4.1 billion from 2006 to 2007. The average increase of \$3.38 billion substantially understates the extent to which the tax package is growing at the end of the initial 10-year period.

2 GDP growth is assumed to be 4.6 percent each year. This is the growth

BOX: Fitting the Budget Agreement without Capital Gains
Indexing

The cost of the Roth tax cut does not increase smoothly

over the 10-year period; like the cost path set forth in the budget agreement and the Ways and Means Committee tax bill, the cost dips in 2002 and then increases substantially in subsequent years. The Ways and Means Committee version achieves the 2002 cost dip by instituting capital gains indexing in 2001 and using a gimmick that causes the collection in 2002 of capital gains revenues that would otherwise have been collected in future years.

In the Roth plan, which does not include capital gains indexing, the dip in cost in 2002 results from a gimmick involving the airline ticket tax. The provision of the Roth plan involving the airline ticket tax is designed to shift some airline ticket tax revenues that would have been collected at the end of fiscal year 2001 into the beginning of fiscal year 2002. This shift does not change the total amount of revenue the airline ticket tax raises, but simply results in lowering fiscal revenue collections in fiscal year 2001 and increasing collections for fiscal year 2002

To subscribe or unsubscribe from OMB Watch's Progressive Budget E-mail List, contact Patrick Lester at <lesterp@rtk.net>. To subscribe send your name, organization and title (if any), address, phone, fax, and email address.

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E-mail: lesterp@rtk.net

Date: 6/20/97

Time: 2:08:15 PM

-----== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

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id <01IKDQ68CHC0004PMY@PMDF.EOP.GOV>; Sun, 22 Jun 1997 17:18:02 -0500 (EST)

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IKDQ676OPC005045@PMDF.EOP.GOV>; Sun,

22 Jun 1997 17:18:00 -0500 (EST)

Received: from smtp3.erols.com ([205.252.116.103])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01IKDQ5I6OCY000ITN@STORM.EOP.GOV>; Sun,

22 Jun 1997 17:17:27 -0400 (EDT)

Received: from spg-as21s04.erols.com (spg-as21s04.erols.com [207.172.37.4])

by smtp3.erols.com (8.8.5/8.8.5) with SMTP id RAA09685; Sun,

22 Jun 1997 17:16:50 -0400

X-Mailer: Mozilla 2.01KIT (Win95; U)

X-Authentication-warning: smtp3.erols.com: spg-as21s04.erols.com [207.172.37.4]

didn't use HELO protocol

===== END ATTACHMENT I =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ussaleg (ussaleg@essential.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-JUN-1997 19:31:00.00

SUBJECT: Tax Bills Pass With No Help For Education Access

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:
LEGISLATIVE ALERT 47

June 30, 1997

Senate Tax Amendment to Aid Low-Income Students Fails, But Student
Efforts Help Increase Support for Pell

Just before they adjourned for the July 4th recess, the Senate, by a voice vote, rejected the amendment to make the HOPE tax credit refundable, and thereby provide benefits for low-income students. The rejection came after Senator Chaffee (R-RI), under pressure from Republican leadership, dropped off the amendment and Minority Leader Daschle (D-SD) joined Senators Bingamen (D-NM), Kerry (D-MA), Wellstone (D-MN), Kennedy (D-MA), Dodd (D-CT) and Reed (D-RI) as co-sponsors. Because of the tremendous amount of phone calls generated by student activists, the amendment had gained significant support among Democrats as well as the support of some moderate Republicans.

Opposition to the amendment centered on the off-set used to pay for it, rather than the merits of refundability. In fact, students, expressing their concern over access to education for low-income students, generated

increased Congressional attention to the problems faced by these students and forced support for the amendment in many offices that had previously been non-committal.

We also made it obvious that we will not be easily quieted when our needs go unattended.

Following the July 4th recess, a House/Senate conference will meet to resolve the differences in the tax bills. The final tax package is likely to include benefits for students with loans (in the form of a student loan interest deduction), benefits for students who receive educational assistance from employers (no taxation on this assistance) and benefits for students who receive loan forgiveness (no taxation on the amount forgiven). These provisions will aid some current students, particularly graduate students. However, no provisions in the tax package are likely to address the issue of access.

If there is a chance to push for refundability during the conference, we will certainly let students know. However, in the meantime, we need tell our legislators that since they failed to improve access to education and provide for low-income students in the tax package, they must do so in the appropriations process. We have to ensure that the momentum we just created does not fizzle out but is used to spark the action necessary to increase the Pell grant to at least \$3000, to expand Pell eligibility to more independent students, and to preserve SSIG and graduate fellowships.

Erica Adelsheimer Phone: 202.347.USSA

Legislative Director Fax: 202.393.5886

U.S. Student Association E-mail:

ussaleg@essential.org

1413 K Street NW 10th Floor

<http://www.essential.org/ussa>

Washington, DC 20005

PLAN NOW TO JOIN US FOR USSA'S 50TH ANNUAL NATIONAL STUDENT CONGRESS

JULY 21-27,1997 IN MADISON, WISCONSIN

CONTACT USSA FOR MORE INFORMATION!

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

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id <01IKP3CF6D68005SVR@PMDf.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Mon,

30 Jun 1997 20:34:21 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IKP3CE9Z2O003YJ8@PMDf.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Mon,

30 Jun 1997 20:34:20 -0500 (EST)

Received: from essential.org by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA04583; Mon, 30 Jun 1997 20:34:18 -0400

Received: from essential.essential.org (essential.org [198.4.52.1])
by essential.essential.org (8.8.5/8.8.5) with SMTP id UAA24283; Mon,
30 Jun 1997 20:31:21 -0400 (EDT)

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: David S. Beaubaire (David S. Beaubaire@EOP@LNGTWY@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-JUN-1997 14:53:00.00

SUBJECT: Q/A's -for internal use only

TO: Barry J. Toiv (Barry J. Toiv@EOP [UNKNOWN])
READ:UNKNOWN

TO: Darrell A. Johnson (Darrell A. Johnson@EOP [UNKNOWN])
READ:UNKNOWN

TO: Michele Jolin (Michele Jolin@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:
Message Creation Date was at 30-JUN-1997 14:53:00

Tax Cut Proposal -- Q & A

June 30, 1997

Q: IS THE PRESIDENT GOING TO VETO THE TAX BILL IF HE DOES NOT GET WHAT HE WANTS?

A: We expect all sides to continue to work in good faith to produce a final tax bill that is good for the country.

The tax cut proposal the President is unveiling today moves the process a big step forward.

The President's tax cut is a fair proposal, targeted to help middle

class

families raise their kids and send them to college. It places a priority

on

education and on delivering a tax cut to families who work hard, pay

taxes, and

are trying to do the best by their kids. It also makes a good faith

effort to

include Republican priorities, such as capital gains and estate taxes.

That

makes the President's proposal one that all sides can coalesce around.

The President has unveiled a tax cut proposal that is good for the

country.

While there will be give and take between the Administration and the

Congress,

we expect that the final tax bill will look similar to the proposal the

President outlined today.

Follow-ups:

Q: WHAT IF THE HOUSE AND SENATE DO WHAT THEY NORMALLY DO AND MERGE THEIR

TWO

BILLS, WILL THE PRESIDENT SIGN IT?

A: We don't expect that to happen. The Republican leadership has

signaled

very strongly that it wants to pass a final bill that the President can sign.

We expect that both sides, the Administration and the leaders in Congress, are going to work together in good faith as we all have all year, to produce a good final tax bill that is close to the President's proposal and consistent with the principles he has articulated all along:

- (1) Must be faithful to the bipartisan agreement;
- (2) Must help the economy grow;
- (3) Must be fair to middle class families;
- (4) Must target our top priority -- education; and
- (5) Must not explode the deficit and make it more difficult to meet the fiscal challenges we face when the baby boom nears retirement.

Q: WILL THE PRESIDENT VETO THE BILL IF IT INCLUDES INDEXING OF CAPITAL GAINS?

A: Indexing capital gains would be inconsistent with the budget agreement, because it would explode in cost, just at a time when the baby boom generation nears retirement.

The Congressional leadership knows the President feels very strongly on this point. It is important to note that, after we objected to the provision in the House, the Senate did not include it in their bill. We do not expect indexing to be in the final bill.

Q: WHAT ABOUT THE ISSUE OF STACKING ON THE CHILD TAX CREDIT. THE REPUBLICANS LIKEN YOUR PROPOSAL TO WELFARE, WILL THE PRESIDENT VETO THE BILL IF THEY KEEP IT THE WAY IT IS IN THEIR BILLS?

A: The President strongly believes that families who work hard, play by the rules and make around \$20,000 or \$25,000, who pay taxes, and who are trying to do the best for their kids just like everybody else, deserve a tax cut too.

It is an extremely important issue and one in which President Clinton has a basic disagreement with some in Congress.

Example: Consider a family of four with two small children living in a

medium sized southern city. The father is a rookie police officer making \$23,000, and the mother is not working while the kids are young. The family will owe \$675 a year in income taxes, but this will be offset by a \$1,668 Earned Income Tax Credit (EITC). This family, however, pays \$1,760 a year in payroll taxes out of pocket (the city pays another \$1,760 for him).

Add up the income taxes owed and the just his share of the payroll taxes and subtract their EITC and the family owes a net \$767 in federal taxes.

That is, the size of the tax cut they would get under the President's proposal, \$767.

Under the House and Senate alternatives, the police officer and his family would get no tax cut.

The President believes that a family of a police officer making \$23,000, who pay taxes, deserve a tax cut too. We expect that as more members of Congress study the impact of this provision that they will agree with the President.

Q: WHY IS THE TAX CUT BEING PROPOSED NOW?

A: It is our view that the unveiling of the President Trump's tax cut proposal will move us forward towards reaching final agreement on a tax cut the American people deserve.

The House and Senate have passed tax bills and it is now time for the Administration and the Congress to reach final agreement. The President Trump's tax cut is a fair proposal, targeted to help middle class families raise their kids and send them to college. It places a priority on education and on delivering a tax cut to families who work hard, pay taxes, and are trying to do the best by their kids. It also, very importantly, makes a good faith effort to include Republican priorities, such as capital gains and estate taxes. That makes the President Trump's proposal one that all sides can coalesce around

Q: YOU SAY THAT YOU HAVE INCLUDED REPUBLICAN PRIORITIES, BUT YOUR CAPITAL GAINS PROPOSAL LEAVES UNCHANGED THE TOP CAPITAL GAINS RATE?

A: We included a broad based capital gains tax cut proposal to be consistent

with the agreement and as a good faith effort to include Republican priorities

. Our proposal allows taxpayers to exclude 30 percent of their capital gains

from taxation. We think that is pretty generous. If you are in the 28 income

tax bracket, your capital gains tax rate will be cut to 19.6 percent, the full

30 percent cut.

It is true that for the top one-half of one percent of taxpayers, the 30 percent exclusion only provides a small cut in the rate they will pay.

These

are people with taxable incomes above \$250,000. So we are talking about people

at the low end of this small group who have incomes of about \$300,000 and above, into the millions. This group already enjoys a preferential rate of

capital gains taxation. Therefore, the additional cut they will get will be

proportionally smaller than other taxpayers, but it still is a cut.

Take a wealthy taxpayer with \$1 million in capital gains. This proposal would

cut their capital gains tax by \$2,800. To that taxpayer that may not be a lot of money, but it is a tax cut and it is five times larger than a middle class family with a child would get from the child tax credit.

Q: YOUR EDUCATION TAX CUTS DO NOT HAVE THE SUPPORT OF MEMBERS FROM YOUR OWN PARTY, HOW DO YOU EXPECT TO END UP WITH THEM IN THE FINAL BILL?

A: Our proposal of a \$1,500 two-year HOPE Scholarship and 20% tuition tax credit is similar to the provisions in the House and Senate Democratic alternatives and is consistent with the budget agreement. We are united on this issue and determined to deliver a very good package of education tax cuts to the American people.

There are differences between our plan and the plans that passed the House and the Senate:

(1) The House and Senate bills are not consistent with the budget agreement in which all sides agreed to include roughly \$35 billion in education tax cuts

consistent with what the President proposed.

(2) Our two-year HOPE Scholarship does more to make the first two years of college universally available. It does more for students attending community colleges. For example, consider a student going to a typical community college with tuition of \$1,200. Under the President Clinton's proposal that person would receive an \$1,000 HOPE Scholarship, compared to just \$600 under the House plan and \$900 under the Senate plan.

(3) Our plan does something the others plans do not do. It helps those Americans who are out there working and want to improve their education and upgrade their skills. The President strongly believes that the principle of lifelong learning must become ingrained in our culture as we head into the next century.

Q: DOES YOUR PROPOSAL INCLUDE A TOBACCO TAX?

A: Yes it does include the same 20 cent tobacco tax increase that is in the Senate bill.

We have said all along that we are very sympathetic to the idea of using revenues from a higher tobacco tax to expand health coverage for children.

The Republican leadership objected to the Hatch-Kennedy bill on the grounds that it was outside of the budget agreement. While we were sympathetic, we did not support that proposal at that time in order to honor the agreement.

The Republican leadership's position has now changed on this and they now support, at least in the Senate, an increase in the tobacco tax.

We strongly believe that the revenue from a higher tobacco tax must not go to special interests, same as it did when it was adopted in the Senate. They did channel \$8 billion to expand health coverage for children. We strongly support that, but we strongly that the remaining revenue should go to similarly worthy causes, like children's health, overall children's development, and health in general. That is why we propose to separate the funds from a tobacco tax increase, to ensure that the resources are put to good use.

Q: UNDER YOUR PROPOSAL, WOULDN'T YOU END UP WITH A SMALLER TAX CUT, ONLY ABOUT \$71 BILLION?

A: The President has unveiled a tax cut proposal that provides a net tax decrease of \$85 billion consistent with the budget agreement. Separate from that we have a proposal to dedicate a tobacco tax increase to expand health coverage for children, address other children's development issues, and to improve general health.

This is similar to what the Senate did with a portion of their tobacco tax increase that went to expand health coverage for children. We just want to make sure that all of these funds go to such worthy causes and not to special interests.

Q. THE SENATE PASSED AN AMENDMENT THAT WOULD ALLOW WITHDRAWALS FROM THE EDUCATION SAVINGS ACCOUNTS TO BE USED FOR ELEMENTARY-SECONDARY EDUCATION EXPENSES -- PRIVATE SCHOOLS. DOES THE ADMINISTRATION SUPPORT THAT

PROVISION?

A. No. At the elementary-secondary level, the President's commitment is to high quality, free, public education available to all children. This amendment is akin to a private school voucher, which we have consistently opposed.

Q. WHAT IS DIFFERENT ABOUT THE EDUCATION TAX CUTS IN TODAY'S ANNOUNCEMENT?

A. There are a number of differences and additions:

1. The HOPE Scholarship is still \$1500. But instead of covering tuition dollar-for-dollar up to the maximum credit, it covers it dollar-for-dollar up to \$1000, and 50 cents on the dollar after that, up to the \$1500 total. This moves in the direction of the Senate and House, which both have a 50% credit (the Senate is 75% for community colleges). For a student paying average community college tuition and fees -- about \$1200 -- the old plan would have provided a \$1200 credit, and the new plan would provide an \$1100 credit. The Senate would provide \$900 and the House, \$600.

2. Instead of a deduction for other postsecondary tuition and fees not covered by HOPE, the new plan would provide a 20 percent credit. This simpler approach cut would be available for the same broad range of higher education tuition and fees, but would be somewhat more progressive than the previous version (because those in the 15 percent tax bracket would receive a 20 percent benefit, while those in the 28 percent bracket would also receive a 20 percent benefit).

3. There is an education savings account component to the child tax credit.

This is similar to the direction that the Senate has gone.

4. The tax exclusion for employer-provided educational assistance is made permanent. The Budget had proposed an extension through 2000.

5. New provisions are added for school construction, donations of technology to schools, and university bonds. (Provisions on IRA withdrawals, loan forgiveness, and student loan interest remain as previously announced).

Q: DON'T THE REPUBLICANS HAVE A POINT THAT THE FAMILY ECONOMIC INCOME

OVERSTATES WHAT PEOPLE MAKE, CLASSIFYING MORE PEOPLE AS RICH, AND
THEREFORE
YOUR DISTRIBUTION TABLES SHOULD BE TAKEN WITH A GRAIN OF SALT?

A: First of all, the Treasury Department calculates income the same way
they
did it under Ronald Reagan and George Bush.

Second, the top five percent is the top five percent, no matter which
definition of income you use it is near impossible to avoid the conclusion
that
the Congressional plans are tilted toward the upper end of the income
scale.

And the top five percent gets 35% of the House tax cut and 28% of the
Senate tax
cut, compared to just 7% under the President !,s proposal.

Third, the distribution tables used by the Joint Tax Committee are
extremely
misleading. Consider, that when they analyzed the House plan they counted
a
capital gains tax cut as a tax increase on the wealthiest taxpayers. That
is
just not credible.

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

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RFC-822-headers:
Received: from mr.eop.gov by PMDF.EOP.GOV (PMDf V5.0-4 #6879)

id <01IKORM60LNK006PH2@PMDF.EOP.GOV>; Mon, 30 Jun 1997 14:58:39 -0500 (EST)
Received: with PMDF-MR; Mon, 30 Jun 1997 14:58:33 -0500 (EST)
X400-MTS-identifier: [;33854103607991/5602032@EOPMRX]
===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Maureen_McLaughlin (Maureen_McLaughlin@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 1-JUL-1997 17:39:00.00

SUBJECT: examples

TO: Robert Shireman (Robert Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

A few thoughts as followup to this am's meeting:

Student loan interest deduction--average borrowing for 4yr school--\$13,600--first year after leaving school the interest deduction equals \$163. No tax benefit for four years of school (plus six month grace period). I'd use student getting \$20,000 starting salary.

Examples (in addition to Bob's)

Single mom with \$50,000 of income--two children; one is a freshman in college. tuition \$4000.

Married couple with \$60,000 in income--two in college--one a freshman with a \$2000 tuition, one a jumior with a \$10,000 tuition.

Single graduate student with \$10,000 of income and \$15,000 tuition.

Bob's ex #2 could be described as a parent going back to school for retraining to improve job skills and move ahead; or as a teacher going

for further education.===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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id <01IKQDMO4JTC006D3O@PMDF.EOP.GOV> for "Robert Shireman"@oa.eop.gov; Tue,
01 Jul 1997 18:39:44 -0500 (EST)

Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IKQDMMNRQ8006UES@PMDF.EOP.GOV> for Robert_Shireman@oa.eop.gov; Tue,
01 Jul 1997 18:39:42 -0500 (EST)

Received: from vader.ed.gov by gatekeeper.eop.gov;
(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA02738; Tue, 01 Jul 1997 18:39:40 -0400

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.217.37])
by vader.ed.gov (8.8.5/8.8.4) with SMTP id SAA04585 for
<Robert_Shireman@oa.eop.gov>; Tue, 01 Jul 1997 18:38:03 -0400 (EDT)
Received: from ccMail by smtpgwyl.ed.gov (IMA Internet Exchange 1.04b)
id 3b986b30; Tue, 01 Jul 1997 18:37:39 -0400

Content-description: cc:Mail note part

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Pauline_Abernathy (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 1-JUL-1997 18:17:00.00

SUBJECT: Re: examples

TO: Robert Shireman (Robert Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

Great list. Two additional comments --

Some of Treasury's examples, such as the first one of a family with \$50 k in income, are only true if the parents file jointly. We might want to do it both ways -- one with joint filers and one with a widowed or divorced parent.

Also, for the student interest deduction case, Maureen what would is the assumed tuition for the 4yr school at which the average student borrows \$13,600 so that we can give the benefit both while they are in school and afterward?

Pauline

Reply Separator

Subject: examples

Author: Maureen McLaughlin at WDCA01

Date: 7/1/97 6:39 PM

A few thoughts as followup to this am's meeting:

Student loan interest deduction--average borrowing for 4yr
school--\$13,600--first year after leaving school the interest
deduction equals \$163. No tax benefit for four years of school (plus
six month grace period). I'd use student getting \$20,000 starting
salary.

Examples (in addition to Bob's)

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college. tuition \$4000.

Married couple with \$60,000 in income--two in college--one a freshman
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Single graduate student with \$10,000 of income and \$15,000 tuition.

Bob's ex #2 could be described as a parent going back to school for
retraining to improve job skills and move ahead; or as a teacher
going

for further education.===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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01 Jul 1997 19:25:41 -0500 (EST)
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01 Jul 1997 19:25:39 -0500 (EST)

Received: from vader.ed.gov by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA06501; Tue, 01 Jul 1997 19:25:37 -0400

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by vader.ed.gov (8.8.5/8.8.4) with SMTP id TAA04754 for

<Robert_Shireman@oa.eop.gov>; Tue, 01 Jul 1997 19:24:02 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov (IMA Internet Exchange 1.04b)

id 3b991820; Tue, 01 Jul 1997 19:23:46 -0400

Content-description: cc:Mail note part

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: tombutts (tombutts@umich.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 1-JUL-1997 10:54:00.00

SUBJECT: CFR UPDATE (#78)

TO: Robert M. Shireman (Robert M. Shireman@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

>Date: 30 Jun 1997 17:23:00 -0400

>From: "CFR List" <CFRList@aaumail.aau.edu>

>Sender: "CFR/PA List" <cfr/pa_list@aau.edu>

>Subject: CFR UPDATE (#78)

>To: "CFR Listserv" <cfrlist@aaumail.aau.edu>

>Cc: "PAN Listserv" <palist@aaumail.aau.edu>

>

>CFR UPDATE

> Association of American Universities

> 1200 New York Avenue, Suite 550, Washington, DC 20005

> (202) 408-7500 * Fax (202) 408-8184

> WWW site: www.tulane.edu/~aau

> -----

> Subject: CFR UPDATE (#78)

> Date: June 30, 1997

> To: Council on Federal Relations

> cc: AAU Public Affairs Network

> From: AAU Staff

>

>o President Clinton Releases Revised Tax Cut Proposal

>o Senate Passes Tax Bill

>

>

>o Senate Passes Tax Bill

>

>The Senate Friday passed its tax reconciliation bill (S. 949) by a vote of

>80-18. Fifty-one Republicans and 29 Democrats voted for the bill. Four

>Republicans and 14 Democrats opposed it.

>

>Senate and House conferees will meet after the Independence Day recess to

>conference the Senate-passed bill and the House-passed bill, H.R. 2015.

>

>

>o President Clinton Releases Revised Tax Cut Proposal

>

>President Clinton today released a revised tax cut proposal, which includes

>education provisions similar to the Senate Democratic alternative tax plan

>offered by Senator Tom Daschle (D-SD). The President's proposal is intended

>to send a signal to House and Senate conferees as to the Administration's

>negotiating position. The following is an Administration summary of this

>revised proposal. Note that a permanent extension of Section 127 benefits

>and a repeal of the tax-exempt bond cap are included. The total price of

>this new tax package is \$44.63 billion, nearly \$10 billion more than is

>called for in the budget agreement.

>

>--Two-year HOPE Scholarship. A maximum \$1,500 credit beginning in 1998.

>Students attending on at least a half-time basis would receive a 100%

credit

>for the first \$1,000 of tuition and required fees for enrollment in a

>post-secondary degree or certificate program and a 50% credit for up to

the

>next \$1,000. For example a student attending a community college with

>tuition costs of \$1,400 would receive a \$1,200 HOPE Scholarship.

>Scholarships would be phased out for joint filers earning between \$80,000

and

>\$100,000. Eligible students could receive both a full Pell Grant and a

HOPE

>Scholarship. The previously proposed B- rule has been dropped. After

2002,

>the HOPE Scholarship increases to a 100% credit for the first \$1,5060 and

a

>50% credit for the next \$1,000 of tuition and required fees.

>

>--20% Tuition Tax Credit. [replaces previous \$10,000 deduction] Third and

>fourth year students, graduate students, plus working people going to

school

>to improve their education and skills, would benefit from a 20% tax

credit on

>the first \$5,000 of tuition and required fees through the year 2000 and

after

>2000 a 20% tax credit on the first \$10,000 of tuition and required fees.

The

- >credit would be phased out for joint filers earning between \$80,000 and
- >\$100,000.

>

- >--Education and Retirement Savings Accounts. Allows penalty-free IRA

- >withdrawals for undergraduate, post-secondary vocational, and graduate

- >education expense and the first-time purchase of a home. Additionally,

- >taxpayers are given the opportunity to contribute their child tax credit

plus

- >an additional \$500, up to \$1,000, to a Kidsave Account for the child's

- >education, first-time home purchase or the taxpayer's retirement.

Earnings

- >would accumulate tax-free in the Kidsave Account and no taxes would be due

- >upon withdrawal for an approved purpose.

>

- >--Tax Incentives for School Construction. Provides tax credits to finance

- >construction and/or rehabilitation of elementary or secondary schools in

- >distressed communities. States would be able to allocate a fixed amount
- of

- >tax credits (based on population) to public schools to help pay for

- >construction or renovation projects. The allocation would be for
- projects in

- >schools that are in empowerment zones or enterprise communities, or that
- have

- >a high percentage of low-income students. This program would function

- >similarly to the current low-income housing tax credit program.

>

>--Employer-Provided Education Benefits. Extends permanently Section 127

of

>the tax code, which allows people to exclude \$5,250 of employer provided

>education benefits from their taxable income. Both undergraduate and

>graduate education would be eligible. Additionally, a 10% employer credit

>for small business training is included. This credit would apply to

payments

>made to third parties to cover expenses of education for employees under

>employer-provided education assistance programs. The credit would be

>available to employers with average annual gross receipts of \$10 million

or

>less for the prior three years.

>

>--Student Loan Interest Deduction and Forgiveness. Allows a deduction of

up

>to \$2,500 per year of interest on education loans for expenses of students

>enrolled at least half time at an institution of higher education. The

>deduction would be allowed for the first 60 months interest is due on a

loan.

> The deduction would phase out for taxpayers making between \$45,000 and

>\$65,000 (\$65,000 and \$85,000 for married taxpayers filing jointly). This

>deduction would be available even if the taxpayer does not itemize

>deductions. To encourage people to use their education and training in

>community service, the income exclusion for student loan forgiveness

would be

>expanded to include loan forgiveness extended by nonprofit tax-exempt

>charitable or educational institutions, and to loans forgiven under the

>Direct Loan Program's income-contingent repayment program. Currently,
the
>exclusion generally covers only contingent forgiveness arrangements
between
>students and government entities.
>
>--Incentives for K-12 Computer Donations. Provides tax incentives for
>private sector donations of computer equipment to schools. The proposal
>would work in combination with the Telecommunications Act of 1996 to
ensure
>that public schools have access to modern computer technology.
>
>--Repeal Cap on Tax Exempt Bond Issuance by Colleges and Universities.
>Repeals the \$150 million bond cap that affects private higher education
>institutions and certain other charitable institutions. The repeal would
>apply to tax-exempt bonds issued by these institutions by these
institutions
>to finance new capital expenditures.
>

Thomas A. Butts

Associate Vice President for University Relations

University of Michigan

202-554-0578, FAX 202-554-0582, tombut===== ATTACHMENT 1
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ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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id <01IKPZMIGRN40056TH@PMD.F.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Tue,

01 Jul 1997 11:58:45 -0500 (EST)

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id <01IKPZMFRIHC006H25@PMD.F.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Tue,

01 Jul 1997 11:58:41 -0500 (EST)

Received: from mothra.rs.itd.umich.edu by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA25578; Tue, 01 Jul 1997 11:58:03 -0400

Received: from [198.108.57.23] by mothra.rs.itd.umich.edu (8.8.5/2.2)

id LAA17774; Tue, 01 Jul 1997 11:57:54 -0400 (EDT)

X-Sender: tombutts@t.imap.itd.umich.edu

===== END ATTACHMENT 1 =====

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: ElmendorfE (ElmendorfE@aascu.nche.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 3-JUL-1997 15:45:00.00

SUBJECT: FW: Letter to Clinton

TO: Gene B. Sperling (Gene B. Sperling@eop [UNKNOWN])

READ:UNKNOWN

TO: Michael Cohen (Michael Cohen@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

AASCU ADVISORY -- INFORMATION

FROM: ED ELMENDORF

TO: AASCU COUNCIL OF STATE REPRESENTATIVES

> Subject: LETTER TO PRESIDENT CLINTON FROM HIGHER EDUCATION

> ASSOCIATIONS re: Tax Proposal

=====

The six presidential higher education associations wrote President Clinton about his most recent tax reform proposal.

> July 3, 1997

>

>

>

> The Honorable William J. Clinton

> President

> The United States of America

> 1600 Pennsylvania Avenue

> Washington, DC 20500

>

> Dear Mr. President:

>

> I write on behalf of the higher education associations listed

> below to express our appreciation for the agreement you reached with

> the

> congressional leadership to devote a significant portion of any tax

> cuts

> to education-related tax incentives. We are grateful that you and the

> congressional leadership agree that this goal is consistent with the

> objectives of balancing the federal budget and enhancing the nation's

> investment in human capital.

>

> We deeply appreciate your continued efforts in this area. The

> plan you outlined earlier this week will help make higher education

> more

> affordable for middle-income students and families. This plan builds

> upon your proposals to create a Hope Scholarship tax credit and to

> encourage lifelong learning by incorporating a number of complementary

> provisions that are widely supported in the higher education

> community.

>

> On June 6th, I sent a letter to Chairman Archer expressing our

> belief that any truly effective tax package must include six elements:

>

> * A Hope Scholarship tax credit available to needy as well as

> middle-income students for the first two years of college. This

> program

> would guarantee students access to at least two years of an

> undergraduate education and should be the central feature of any plan.

>

> * A provision to encourage lifelong learning for undergraduate and

> graduate students.

>

> * Meaningful incentives to families with young children to save

> for college expenses.

>

> * Permanent extension of Section 127 of the tax code for

> employer-provided educational assistance for both undergraduate and

> graduate education to ensure that working adults can participate in

> higher education without adverse tax consequences.

>

> * Reinstatement of the student loan interest deduction to help

> students repay their loans following graduation. The deduction should

> be "above the line" to ensure that the broadest number of students can

> benefit. Further, certain types of student loan forgiveness should be

> excluded from income when college graduates pursue community service

> and

> other low-paying careers.

>

> * Elimination of the tax-exempt bond cap for all colleges and
> universities so that they can maintain their campus facilities, keep
> up

> with the rapid growth of technology, and offer their students and
> faculty state-of-the-art classroom and research facilities.
>

> Your proposal addresses each of these issues, and, we believe,
> represents a much needed and extraordinarily valuable set of tax cuts
> for middle-income families. We are pleased that the Senate-passed
> bill
> also encompasses a similar set of issues, and we urge you to work with
> the Congress to develop a final bill that includes these elements.
>

> In addition, we encourage you to strongly oppose provisions that
> would impose new taxes on tuition assistance, such as phasing out
> Section 117(d), and on retirement benefits offered to the higher
> education community through TIAA-CREF. Both of these provisions run
> counter to the efforts to make higher education more affordable, and
> to
> make teaching a career that attracts our most outstanding scholars.
>

> Again, we thank you for the abiding leadership you have
> demonstrated in support of higher education. We urge you to continue
> your work with Congress on these important matters to ensure that this
> historic opportunity for America's college students does not pass us
> by.
>

> Sincerely,

>

>

>

> Stanley O.

> Ikenberry

> President

>

> This letter is sent on behalf of the following associations:

>

> American Council on Education

> American Association of Community Colleges

> American Association of State Colleges and Universities

> Association of American Universities

> National Association of Independent Colleges and Universities

> National Association of State Universities and Land-Grant Colleges===== ATTACHMENT 1
=====

ATT CREATION TIME/DATE: 0 00:00:00.00

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by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IKT2CBYHFK006YK0@PMDF.EOP.GOV>; Thu,

03 Jul 1997 16:48:25 -0500 (EST)

Received: from ptah.aascu.nche.edu ([205.128.140.10])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01IKT2BP90SG001JAA@STORM.EOP.GOV>; Thu,

03 Jul 1997 16:47:56 -0400 (EDT)

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03 Jul 1997 16:45:28 -0400

X-Mailer: Internet Mail Service (5.0.1458.49)

X-Priority: 3

===== END ATTACHMENT 1 =====