

NCHER's Advocacy Priorities for the 119th Congress – Tax Reform

The National Council of Higher Education Resources (NCHER) and its members assist students and families develop, pay for, and achieve their career, training, and postsecondary educational goals. The following are NCHER's advocacy priorities for the 119th Congress:

Eliminating the state volume cap on private activity bonds while preserving tax-exempt financing of education loans

For more than 50 years, state and nonprofit organizations have been authorized by Congress to issue tax-exempt private activity bonds to provide low-cost loans to students and parents to help them pay for the costs of a postsecondary education. These organizations originate new private education loans and refinance those loans with higher rates, offering borrowers a competitive interest rate and lower or no origination fees. As tuition costs continue to outpace increases in the loan limits authorized under the federal student loan program, private education loans financed by tax-exempt bonds help families across the nation “close the gap” in financing their higher education dreams, in many cases at lower rates than are generally available under the federal programs. Tax-exempt financing is critical to these organizations as the loan programs they offer in their respective states support college access and success initiatives and assist struggling borrowers in managing repayment of their loans. Unfortunately, current law caps the amount of tax-exempt private activity bonds that can be issued in each state to fund student loans, along with certain housing and economic development programs. As Congress begins the effort to reform the nation's tax code, **NCHER supports eliminating the state volume cap on private activity bonds while preserving tax-exempt financing of education loans.**

Repealing the AMT for student loan-based securities

Tax-exempt financing issued by state and nonprofit student loan providers directly benefits student and parent borrowers through lower interest rates and robust college access and financial wellness programs. However, the income to investors on tax-exempt student loan bonds is subject to the Alternative Minimum Tax (AMT), as these bonds are deemed to be private activity bonds. The AMT adds approximately one-quarter of one percent to a full percentage point to the interest rate of these tax-exempt bonds. This added cost must be passed through to student loan borrowers. Thus, the AMT constitutes a significant barrier to the ability of state and nonprofit organizations to fulfill their missions of assisting students and families access a college education. **NCHER supports repealing the AMT for student loan-based securities, which is a significant barrier to nonprofit organizations whose sole mission is to assist students and families access a college education.**

Continuing to promote employer participation in student loan repayment

In 2019, Sen. Mark Warner (D-VA) and Senate Majority Leader John Thune (R-SD) and Rep. Scott Peters (D-CA) and then-Rep. Rodney Davis (R-IL) introduced the Employer Participation in Repayment Act to expand the current Employer Education Assistance Program to allow employers to contribute up to \$5,250 tax-free to their employees to help them repay their student loans. The bill became law as part of the CARES Act in March 2020 and received a five-year extension in 2021. It expires on January 1, 2026.

Since 2020, this important benefit has been a crucial tool for employees in the process of repaying their loans. As student loan debt continues to increase, more employers have begun to offer tuition and debt assistance as an

employment benefit. Research from Nasdaq shows that 45 percent of workers consider student loan repayment assistance the single most important employee benefit, ranking it higher than additional retirement and health care contributions. According to a survey from Student Loan Hero, 54 percent of employees between the ages of 18 and 24 would rather have student loan repayment assistance than a 401(k), and 53 percent of employees say they would prefer student loan repayment assistance over additional vacation leave. This important provision helps borrowers in every state be able to repay their student loans and get out of debt quicker, while also providing employers with an innovative approach to attracting and retaining talented employees. **NCHER supports extending the Employer Participation in Repayment Act, which promotes college affordability and accessibility.**

Supporting the role of 529 Plans in financial aid and student loan debt

Nearly every state in the country has a 529 Plan, which is designed to help families set aside funds and save for higher education costs. 529 Plans - both prepaid tuition plans and college savings plans - are important tools used by millions of American families to meet the increasing costs of postsecondary education. **NCHER supports increasing the availability of 529 Plans and their role in accessing postsecondary education, including exempting a certain percentage of the assets held in 529 Plans from federal financial aid calculations and expanding their use to pay back student loans.**

If you have any questions or need information, please contact Vicki Shipley, Interim President of NCHER, at vshipley@ncher.org or (202) 822-2106.