Statement on the House Tax Cuts and Jobs Act

H.R.1, the *Tax Cuts and Jobs Act*, was introduced on November 2nd, 2017 in the House of Representatives. A provision in section 1204 would strike section 117(d) of the Internal Revenue Code (called the Qualified Tuition Reduction). Eliminating the Qualified Tuition Reduction would sharply increase the tax burden imposed on graduate students. This would reduce the number of people able to afford a graduate education, which would shrink the pool of talent and ideas that drive American science and technology development and thereby threaten our national competitiveness.

The MIT Graduate Student Council (GSC) represents the 6,900 graduate students of the Massachusetts Institute of Technology (MIT). The research and education conducted at MIT and other institutions of higher education has played a significant role in creating jobs, developing new technologies, and ensuring the commercialization of these inventions in America rather than elsewhere. Taxing graduate student tuition awards as income would represent an enormous tax increase for the inventors and innovators on the front lines of advanced research and development. As these tuition awards do not contribute to the effective income of graduate students, we strongly oppose the provision in section 1204 of the *Tax Cuts and Jobs Act* that would strike section 117(d) of the Internal Revenue Code (the Qualified Tuition Reduction).

Striking section 117(d) would increase the income taxes paid by many MIT graduate students by about $10,000 or more annually by taxing their MIT-provided tuition awards as income. The resulting annual income tax of at least $13,000 would account for more than one-third of the average $37,000 annual stipend that MIT graduate students receive, leaving them with less than $24,000 to live on. Considering the high cost of living in the Cambridge area (at least $26,000 per year), the pursuit of a graduate degree would suddenly become unaffordable for students without additional sources of income or support.

This financial burden would not just apply to graduate students at MIT. Graduate students across the country at both private and public universities would face sharp increases in their income taxes, effectively raising the cost of a graduate education. The additional burden would cripple America’s higher education system and stop many prospective students from seeking a graduate education entirely, with the largest impact on low- and middle-income students. Not only would this skew enrollment toward the wealthy, but it would also reduce overall enrollment and research output.

Such a decrease in research output would directly threaten our future economic prosperity. For example, MIT students and faculty alone have helped found more than 30,000 currently active companies that employ roughly 4.6 million people and generate annual revenues of $1.9 trillion, which is equivalent to the world’s 10th largest economy. A robust and accessible education system, including graduate training, is critical for supporting such innovation and continued economic growth.

We urge members of the House of Representatives to oppose the provision in Section 1204 striking section 117(d) of the Internal Revenue Code (the Qualified Tuition Reduction).

Prepared by the External Affairs Board on behalf of the MIT Graduate Student Council. November, 2017

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2 “Cost of Living Analysis”, MIT Graduate Student Council (2014).