



Education and Family Benefits Working Group
Committee on Ways and Means
United States House of Representatives
1102 Longworth HOB, Washington, D.C. 20515
Re: Comments on IRC sections 117 and 529

Dear Sir or Madam:

On behalf of the Student Advocates for Graduate Education (“SAGE”), I am writing to submit a comment on potential tax reform to the United States House of Representative’s Ways and Means Committee’s Education and Family Benefits Working Group regarding sections 117 of the Internal Revenue Code (“Code”). This provision addresses the exclusion of certain educational expenses and redefines the necessary costs to attain a higher education degree as *qualified educational expenses* compared to the Higher Education Act’s (“HEA”) section 427 definition of the *cost of attendance*.

Together, the SAGE member organizations represent approximately 200,000 graduate academic and professional students across in the nation’s top-tier public research institutions. We work to address the challenges affecting graduate education at the nation’s public flagship institutions, with a focus on improving access and quality of education. We strive for a reinstatement of the 1965 Higher Education Act’s definition of qualified higher education expenses in a manner that works best for graduate students and their future employers. The goal of this comment is to ensure that any efforts to achieve comprehensive tax reform will address the elements of the tax code that directly affects the ability of students to attain quality training while perusing an advanced degree.

SAGE wishes to express its support for the committee’s work towards comprehensive tax reforms. The current tax code is complex and contradictory with other laws as is the case of the definition of *qualified educational expenses*. This definition is used throughout the Code for a variety of programs including section 222’s tuition and fees deduction and section 127’s Employer Tuition Assistance. However, the Higher Education Act includes a different, more complete definition (HEA section 427, *cost of attendance*) that expands qualified expenses to include room and board as well as dependent care costs among others. Graduate students in particular are adversely affected by this multitude of definitions as exemplified by the restrictions on use placed on higher education tax incentives by their individual *qualified educational expenses* definition compared with the *cost of attendance* definition contained in the HEA.

The HEA defines cost of attendance as tuition and fees including the rental or purchase costs associated with required materials, supplies, and equipment; books and supplies; transportation costs; computer purchase or rental costs; room and board; expenses related to dependent care; expenses related to disabilities; an allowance for costs associated with a cooperative education program; and educational loan fees. This definition is inclusive of many of the necessary costs and expenses associated with pursuing a graduate degree most specifically including room and board and necessary supplies such as books and laboratory equipment in addition to the aforementioned allowance for costs related to dependent care. This definition is used to determine the amount of student financial aid and higher education incentives, including tax deductions, for which a student is eligible. In 1986, changes in tax law limited this definition in a way that uniquely disadvantages graduate students, making portions of fellowship and student aid ineligible for higher education tax incentives such as the lifetime learning credit and tax deductions on scholarship and fellowship monies.

These incentives, if available to graduate students would increase access and affordability of advanced degrees across the United States, which in turn would yield increased domestic enrollment in graduate programs and contribute to a more educated populous.

SAGE supports chairman Camp's comment that "Regardless of party or politics, everyone can agree that comprehensive tax reform should result in a simpler, fairer tax code for families and more jobs for American workers." It is our sincere hope that the simpler and fairer tax code envisioned by the chairman will incorporate a single definition for *qualified education expenses*: that of the Higher Education Act's definition of *cost of attendance*. We respectfully request that the Working Group investigate the costs and benefits of this proposed change and recommend its adoption as part of a comprehensive tax reform process thus allowing graduate students to qualify for the numerous higher education tax incentives offered to our undergraduate colleagues.

Sincerely,



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Chairperson
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