



H.R. 8913, the *Protecting American Students Act* Rep. Ferguson (R-GA)

Background:

- To promote tax fairness among private foundations and tax-exempt organizations—particularly private colleges and universities—the 2017 Trump tax cuts established the “Endowment Tax”. Currently, **the Endowment Tax is a 1.4 percent excise tax on the net investment income (NII) of a private college or university endowment above a certain size.**
- To be within scope of the tax, the institution must have (1) at least **500** “tuition-paying” students; and (2) an endowment value of at least **\$500,000** per “full-time” student.
- Roughly **30 to 60 institutions fall into scope of the Endowment Tax** in any given year. According to the most recently available data from the IRS, **in 2022, the Endowment Tax raised \$244 million from 58 schools after raising just \$68 million from 33 schools in 2021.**

Issue(s):

- As the Committee’s Investigation has shown over the last several months, America’s supposedly *elite* institutions—which receive generous federal tax benefits—have harbored and promoted antisemitic behavior while allowing Jewish students to be threatened, harassed, and assaulted.
- Data and public reporting make clear that **malign foreign influence, including some students present in the United States on temporary student visas, have directly contributed to the rise in antisemitic behavior on college campuses.**
- At the same time, public reporting indicates that the number of foreign students at American universities, especially at Ivy league schools, has grown significantly in recent years. Over the last decade, the number of foreign students in the United States has **increased by nearly 30%**.
 - Reporting indicates that **the average number of foreign students at Ivy league schools is around 25%, reaching as high as 50% at some institutions.**

The Protecting American Students Act of 2024:

- The **bill amends the Endowment Tax formula to only account for students eligible for federal financial assistance under the *Higher Education Act* (HEA, 20 USC § 1091(a)(5))**. This includes students who are:
 - a citizen, national, or permanent resident of the United States; or
 - able to provide evidence from the Immigration and Naturalization Service that they are in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.
- This would not include students who are in the U.S. temporarily or on a student visa.
- This bill will incentivize universities to either enroll more American students or spend more of their endowment funds on those students to avoid being subject to the Endowment Tax.
- This bill **would subject roughly 10 to 12 additional schools to the Endowment Tax**, all of which could avoid the tax by admitting more American students or spending down their endowments.