November 27, 2017

The Honorable Tammy Baldwin
708 Hart Senate Office Building
Washington, DC 20510

Dear Senator Baldwin:

I am writing to express my concerns with a number of provisions in the Senate’s version of H.R. 1, the Tax Cut and Jobs Act.

While the Senate bill does not include some of the more harmful provisions to students and families in the House version, the bill would nevertheless increase costs and regulatory burden on the University of Wisconsin–Madison. Increased operational costs would negatively impact the services students receive and hinder our ability to educate and train our nation’s most highly skilled workforce.

The bill contains several proposals that would increase taxes owed by many colleges and universities, including treating name and logo royalties as unrelated business taxable income. For UW–Madison, this provision alone means 1-2 million dollars annually that currently support students would become taxable income and therefore reduce the amount available for scholarships. The bill makes further changes to unrelated business income tax practices that do not exist in the private sector.

Both the House and Senate bills would eliminate advance refunding bonds, an important financing tool UW–Madison uses to refinance our outstanding debt at lower interest rates. At UW–Madison, this option generates significant interest savings over decades, lowering costs for capital projects including residence halls, utility systems and power plants. Our last two “refundings” will result in about $7.5 million, and $7.7 million, respectively, in savings over the next 20 years – or about $760,000 per year. Savings like these allow us to avoid increasing student fees that help finance campus construction projects.

Finally, we are also concerned that the Senate bill will result in a substantial decrease in charitable giving. The Senate version does retain tax incentives for charitable contributions, but significantly increasing the standard deduction will limit the number of taxpayers who take advantage of the incentive to make charitable contributions. Particularly with the steady decline in state support, public universities are increasingly reliant on gifts from friends and alumni as a core part of their budget.

As you may know, the Joint Committee on Taxation determined that under H.R. 1, charitable giving would decrease dramatically. JCT projects for tax year 2018, under current law, almost 41 million taxpayers who itemize would give about $241 billion. However, if H.R. 1 were signed into law, approximately 9 million donors would give about $146 billion. This is a substantial difference. The drop is especially significant in the $100,000—$500,000 taxpayer range. This subset represents a significant number of individuals who donate to UW–Madison.

These are UW–Madison’s top concerns with the Senate version of H.R. 1. I urge you to support improvements to this bill as it is considered in the Senate. Please let me know if you have questions about

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the tax bill’s impact on UW–Madison. I would welcome the opportunity to discuss this issue with you or your staff.

Thank you for your consideration of these issues.

Sincerely,

Rebecca Blank
Chancellor