

## The perils of a 'grad student tax'

By Christopher R. Marsicano

**A**ERICAN HIGHER education is the envy of the world, but universities in other countries are catching up. This year, for the first time in its 14-year history, the Times Higher Education ranking of international universities named two non-U.S. institutions best and second-best in the world. Third and fourth place went to two California institutions, Cal Tech and Stanford. Recent projections from the Organisation for Economic Co-operation and Development suggest that China will outpace the U.S. in research and development spending in just two years. If the United States wants to keep its competitive edge, it must increase support for higher education.

The GOP's tax plans do the exact opposite. In fact, they may upend graduate education and research altogether.

While some proposed changes to the tax code may benefit research and innovation (the reduction of the corporate tax could allow companies to spend more on R&D) both the House and Senate reform bills are likely to hurt universities. Both bills would make it harder to itemize charitable contributions, an action that could reduce giving to nonprofit universities and other organi-

zations by as much as \$13 billion annually. They also both include a 14% tax on investment returns at private, nonprofit institutions that enroll at least 500 students and have endowment assets in excess of \$250,000 per student — a provision that likely will affect the Claremont Colleges.

But the House bill, on the whole, is worse for American higher education. It would tax tuition waivers for graduate students and university employees.

Universities fund doctoral education in multiple ways. Many PhD students receive a fellowship or scholarship that covers their cost of living in return for working as teaching or research assistants. Graduate students with fellowships are supposed to spend between 20 and 40 hours a week working while also attending classes and performing research. Some doctoral students pay tuition for those classes, but as many as a quarter of all graduate students receive a waiver. (Nominal tuition at a well-resourced university could easily cost more than \$50,000 dollars a year.)

In the current tax code, the government can tax certain types of fellowship funding but does not tax tuition waivers. The House version of the bill would change that.

Many graduate students struggle to make ends meet. In cities with a high cost of living,

their \$25,000 fellowships are just enough for rent, gas and food. Removing the tuition waiver exemption from the tax code would increase their cost of living dramatically. When a \$50,000 tuition waiver is included as taxable income, students who take home only \$25,000 per year would be taxed as if they made \$75,000 per year. For many students, that would mean a 400% increase in their taxes.

In effect, removing the exemption creates a grad student tax.

This is personal for me on multiple levels. First, I'm a graduate student. Second, I teach an undergraduate public policy course — I'm supposed to train the next generation of leaders how to make effective public policy. One of our class units focuses on taxation. I teach my students that governments tax the behaviors they want to discourage but provide incentives for the behaviors they want to encourage. For this reason, states tax alcohol, raising the price on something that, in excess, hurts the general public.

Why then, do we want to tax graduate education? If anything, we should do more to incentivize talented individuals to attend graduate school, struggle through learning difficult research methods and apply those methods to the real world.

Graduate students do im-

portant work. For the most part, we don't go to graduate school to increase our earning potential. We go because we care deeply about answering questions and solving problems of all sorts. Students don't research cancer for the money; they research cancer to find a cure. They don't study psychology simply because the subject interests them; they do it to understand and help prevent criminal behavior. Taxing tuition waivers doesn't just make our research harder; it makes it all but impossible.

This holiday season, I am thankful that members of the Senate Finance Committee decided not to include the graduate student tax in their plan for tax reform. When it comes time for reconciliation with the House bill, I am hopeful that the committee will continue to stand up for students — and America's higher education system as a whole.

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