November 28, 2017

The Honorable Mitch McConnell
Senate Majority Leader
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Charles Schumer
Senate Minority Leader
322 Hart Senate Office Building
Washington, DC 20510

The Honorable Paul Ryan
Speaker of the House
H-232 The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
House Democratic Leader
233 Cannon House Office Building
Washington, DC 20515

Dear Majority Leader McConnell, Speaker Ryan, Minority Leader Schumer, and Democratic Leader Pelosi:

On behalf of the Academic Heath Center (AHC) Working Group, comprised of nineteen of the country's leading academic medical centers, we are writing to express our concerns with several provisions in the Tax Cuts and Jobs Act currently under consideration in both the Senate and the House of Representatives. The proposals outlined below could negatively impact our enterprises to the detriment of our patients, the clinicians we train and the neighborhoods around us. Hospitals are major economic engines in the communities they serve, and each of our institutions is comprised of top ranked hospitals and universities that employ tens of thousands of individuals, train the healthcare workforce of tomorrow, and pursue cutting edge biomedical research. As safety net providers and academic institutions, each of our organizations would be negatively impacted by certain proposed tax changes that increase our costs or reduce funding available to us.

As you continue to consider tax reform legislation, we urge you to address the provisions outlined below.

**Tax-Exempt Bond Financing:** Both the House and Senate bills would prevent our institutions from making use of tax-exempt private activity bonds and advance refunding of bonds to secure facilities and equipment necessary for our missions. Recent examples among our institutions include a four-floor expansion of Vanderbilt's children's hospital to help meet growing pediatric care needs of the mid-south region, the latest chemistry center at Emory, and a new hospital at University of California San Diego. Montefiore Medicine recently used tax-exempt bonds to build an ambulatory care center that increased access to subspecialty care for a predominately low-income, government-insured population. Montefiore Medicine's new center allows for multiple specialties and services to be provided under one roof, thereby resulting in greater physician collaboration, easier referrals, and shorter wait times. UW Health, the health system for the University of Wisconsin-Madison, has used private activity bonds in recent years to make essential capital improvements in areas of inpatient care with rapidly evolving technological advances, including intensive care, cardiology, radiology and oncology.

This financing also has made possible the acquisition of equipment critical to advanced patient care such as MRI machines and linear accelerator/external beam radiation for cancer patients. We strongly oppose the House bill's full repeal of private activity bonds and advance refunding bonds and the Senate bill's full repeal of advanced refunding bonds. Without private activity bonds and advance refunding bonds, our medical centers will have fewer options to undertake capital improvements, and may have to reassess the financing of some projects that are crucial to serving underserved patient populations accessing quality care. We request you preserve our access to this type of financing.

**Charitable Giving:** Hospitals and universities depend on charitable giving and the associated tax incentives that exist under current law to support investments in our ongoing and future work. We are concerned that the bills in both chambers, taken as a whole will have a significant negative impact on charitable giving. We support the addition of a universal, above-the-line deduction for charitable giving, to allow tax payers to subtract charitable donations from their income, regardless of whether they file itemized returns.

**Excise Tax on Endowments:** We strongly oppose the 1.4 percent excise tax on the net investment income of certain private colleges and universities. Endowments provide a stable and long-term source of funding that enables many of the universities affiliated with academic medical centers to provide scholarships for students, recruit faculty, conduct research, construct facilities, and carry out other mission-related activities. When the university accepts an endowed gift, it also accepts the responsibility to spend the distributions from that gift only in accordance with the donor's intent. The restrictions are enforced in law, in the tax code and in binding agreements with our donors. This arbitrary tax on long-term endowment growth is a shadow tax on our donors' contributions, does nothing to make college more affordable and would shift funds away from their dedicated purpose. Furthermore, the notion of imposing parity between university endowment funds and funds held by foundations is unwarranted and misplaced. We urge you to reject this new tax.

**Deduction for Medical Expenses:** We support the Senate bill's continued exclusion for medical expenses in excess of 10 percent of an individual's adjusted gross income, and urge the House to abandon repeal of this provision. Incurring high medical expenses is the primary reason individual Americans file for bankruptcy. The deduction for out-of-pocket medical expenses of the taxpayer, a spouse or a dependent is important for many of our patients whose medical conditions necessitate complex treatments that incur high medical expenses that are not covered by insurance. Please preserve this exclusion from income.

**Higher Education Tax Benefits**: As teaching hospitals and affiliated medical schools, we have a tripartite mission of patient care, research, and education. We are concerned about provisions in the House bill that would repeal some higher education tax benefits, including the deduction for interest payments on student loans and tuition support we provide to students and employees and their dependents under House bill Sections 117d and 127. These programs help individuals repay student loans and afford PhD and other graduate programs. Repealing section 117d could increase the cost for our graduate and PhD students at our affiliated medical schools, schools of nursing and schools of public health.

In addition, as large employers, many of our employees across our entire workforce benefit from tax free tuition support from us under Section 127 to invest in their further education and career advancement. For example, thanks to Section 127, nurses are able to pursue advanced degrees while working full-time serving patients, and instructors can earn advanced degrees while teaching students. Please reject changes that will make higher education less accessible for millions of Americans.

**Unrelated Business Income Taxation (UBIT)**: The Senate bill currently contains several problematic UBIT provisions that will greatly increase the tax burden on many charitable institutions, including academic health centers. First, the bill includes a so-called UBIT "basketing" provision, requiring all losses and gains for taxable unrelated business activity to be calculated by separate activity rather than in the aggregate. This would potentially increase our tax liability and impose significant new and costly administrative burden on our enterprises that is inconsistent with the treatment of for-profit corporations.

Secondly, the Senate bill would subject trademark and logo royalties to UBIT. As written, the provision will levy a significant new tax on a variety of agreements our institutions have that are intimately associated with our healthcare missions and that are distinguishable from what we believe was a narrower intent by tax writers to address the tax treatment of royalties from the sale of merchandise and apparel. We urge Congress to reject or modify this proposal to exclude transactions that are core to our patient care missions.

Finally, for some of our non-profit institutions, the repeal in the House bill of the UBIT exemption for income derived from public pension plans of government-sponsored entities (*e.g.*, University of California's Retirement Plan (UCRP)) would treat certain investment income from our pension plans as subject to UBIT. Any public university affected by this provision would have less assets it could then distribute as pension benefits to its retirees and employees. An affected university could also be challenged to recruit the best faculty and staff.

**Repeal of the Individual Mandate:** Reforming the healthcare system in America is extremely complicated and we urge you not to confound that debate by including a repeal of the individual mandate in tax reform legislation. Absent a comprehensive, bipartisan approach to reform of insurance markets that would incentivize greater enrollment, balance risk pools, and aim to prevent spikes in premiums, the coverage mandate remains necessary to ensuring that relatively younger and healthy people enroll in states' healthcare marketplace plans. Our institutions have been supportive of the effort led by Senate HELP Committee Chairman Lamar Alexander and Ranking Member Patty Murray to advance legislation to stabilize states' healthcare marketplaces. Repealing the individual coverage mandate now runs counter to that effort and risks undermining the risk pools of the state marketplaces upon which upwards of 7 million Americans depend for their healthcare coverage. We are very concerned that reducing health insurance coverage would lead some patients to delay or forgo necessary care and then be more likely to end up in our emergency rooms, needing expensive inpatient treatment for more acute medical conditions. Healthcare costs increase when uninsured patients present with untreated, later-stage diagnoses. We urge you to remove this repeal from tax reform.

Thank you for your consideration of these issues. Please let us know how we can be a resource on these and other healthcare related issues.

Sincerely,

Paul Rothman

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