



**Association of
American Medical Colleges**
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Darrell G. Kirch, M.D.
President and Chief Executive Officer

December 8, 2017

The Honorable Kevin Brady
Chair
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Orrin Hatch
Chair
Committee on Finance
U.S. Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
U.S. Senate
Washington, DC 20510

Dear Chairman Brady, Chairman Hatch, Ranking Member Neal and Ranking Member Wyden:

On behalf of the Association of American Medical Colleges (AAMC), I write to encourage you to reject in conference several provisions included in the House- or Senate-passed versions of *H.R. 1, the Tax Cuts and Jobs Act*. As outlined below, these provisions would have a damaging impact on the nation's medical schools and teaching hospitals, and on the patients we care for, the students and residents we teach and train, and the millions of Americans who gain hope from the research we conduct.

The AAMC is a not-for-profit association dedicated to transforming health care through innovative medical education, cutting-edge patient care, and groundbreaking medical research. Our members comprise all 149 accredited U.S. medical schools; nearly 400 major teaching hospitals and health systems, including 51 Department of Veterans Affairs medical centers; and more than 80 academic societies. Through these institutions and organizations, the AAMC serves the leaders of America's medical schools and teaching hospitals and their nearly 160,000 faculty members, 83,000 medical students, 115,000 resident physicians, and thousands of graduate students and postdoctoral trainees in the biomedical sciences.

We are concerned that taken as a whole, both the House- and Senate-passed bills would have a significant negative impact on charitable giving, upon which our members rely to strengthen their education, research and clinical missions. Additionally, the following specific policies are of key concern to academic medicine:

Private Activity Bonds (PAB) and Advance Refunding Bonds. PABs are a critical financing source for capital improvements, including new research and clinical care facilities and

infrastructure improvements to accommodate new medical technology. Hospitals were included when Congress established PABs in 1968, recognizing that they are an integral part of every community's infrastructure. Advance refunding bonds also are an important source of financing for our member institutions, who otherwise could face higher borrowing costs, thus making it more expensive to build critical educational, research, and clinical facilities. **We urge the Committee to follow the Senate approach of retaining PABs and to preserve Advance Refunding Bonds.**

Higher Education Tax Incentives. The House bill would repeal various tax incentives and policies that ease the financial burdens for medical and graduate students in the health care and research pipeline. We appreciate that the Senate bill preserves these programs because repeal could discourage participation in graduate education and make education more expensive for those who do enroll. Congress has identified the need to bolster the next generation of biomedical researchers. Subjecting students to the added costs in the House bill would only serve to undermine the research career pipeline and create additional hardship for many students. **We urge the Committee to preserve the following current law provisions as you develop the final legislation:**

- **Qualified tuition reduction;**
- **Student Loan Interest Deduction (SLID);**
- **Lifetime Learning Credit; and**
- **Educational assistance programs.**

Endowment Income of Certain Private Colleges and Universities. Contrary to the goal of simplifying the tax code, both the House and Senate bills would introduce a new, unprecedented excise tax on endowment income. Endowments provide a stable and long-term source of funding that enables our member institutions to assist students, hire faculty, conduct research, construct facilities, and carry out other mission-related activities. Like the House-passed legislation, the Senate bill would impose a 1.4 percent tax on the net investment income of certain private colleges and universities. While the Senate bill narrows the scope of the provision somewhat, this new misguided tax on long-term endowment growth would take away critical funds that colleges and universities otherwise would devote to student financial aid, instruction and support, and medical research. **We urge the Committee not to include an excise tax on endowment income in the final package.**

Individual Mandate for Health Insurance. It is inappropriate to include a repeal of the individual mandate in a tax reform package. Additionally, such repeal would result in 13 million more individuals without insurance by 2027 according to the Congressional Budget Office (CBO). The nation's medical schools and teaching hospitals know firsthand that patients without insurance are more likely to forgo preventive care, leading to potentially more complex and costlier treatment when they eventually seek care. Without enacting any policies to stabilize the insurance market, the consequences of repealing the mandate would be amplified for patients across the country. **We urge the Committee to refrain from including a repeal of the individual mandate in the final legislation.**

Members of the Tax Cuts and Jobs Act Conference Committee
December 7, 2017

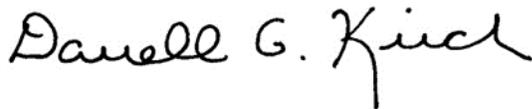
In addition to the policies outlined above, we also encourage the Committee to reject the following:

- The provisions that would impose an excise tax on compensation for certain employees at tax-exempt organizations, including medical professionals, which would limit resources that otherwise would support medical school and teaching hospital missions.
- The provision in the House bill that would include name and logo royalties under unrelated business income tax (UBIT), which would impact academic medical center affiliations, among other activities. We appreciate that the Senate approach did not include this policy.
- The provisions that would eliminate or reduce taxpayers' ability to itemize deductions for out-of-pocket medical expenses.

Finally, while we are encouraged by the assurances that Congress will waive the statutory Pay-As-You-Go Act of 2010 (PAYGO) automatic spending cuts that would be triggered by the cost of the tax reform package, we emphasize that a waiver of this law is critical to our nation's seniors and other patients who rely on academic medical centers. Without such a waiver, the tax legislation would trigger a 4 percent reduction in Medicare, amounting to more than \$25 billion in cuts. This cut would be devastating to medical schools' and teaching hospitals' ability to provide crucial services to the nation's most vulnerable populations.

Throughout the debate on tax reform, the AAMC has held steadfast that we do not object to tax reform policies that seek to strengthen the opportunities our economy affords all Americans. However, the provisions discussed throughout this letter would have the unintended consequence of driving up the cost of health care, research, and education. In fact, among other factors, the tax reform proposals already have led one prominent credit-rating agency to downgrade its outlook for the higher education, not-for-profit and public health care sectors, a devastating blow not only for these institutions, but also for communities where medical schools and teaching hospitals are frequently among the largest employers of the region. As the Conference Committee moves forward, we ask that it prioritize the recommendations outlined above in the final package.

Sincerely,

A handwritten signature in black ink that reads "Darrell G. Kirch". The signature is written in a cursive, slightly slanted style.

Darrell G. Kirch, MD
President and Chief Executive Officer

Members of the Tax Cuts and Jobs Act Conference Committee
December 7, 2017

CC: Tax Cuts and Jobs Act Conference Committee Members

The Honorable Kevin Brady
The Honorable Devin Nunes
The Honorable Peter Roskam
The Honorable Diane Black
The Honorable Kristi Noem
The Honorable Rob Bishop
The Honorable Don Young
The Honorable Fred Upton

The Honorable Orrin Hatch
The Honorable Mike Enzi
The Honorable Lisa Murkowski
The Honorable John Cornyn
The Honorable John Thune
The Honorable Rob Portman
The Honorable Tim Scott
The Honorable Pat Toomey

The Honorable Richard Neal
The Honorable Sander Levin
The Honorable Lloyd Doggett
The Honorable Raul Grijalva
The Honorable Kathy Castor
The Honorable Tom Carper

The Honorable Ron Wyden
The Honorable Bernie Sanders
The Honorable Patty Murray
The Honorable Maria Cantwell
The Honorable Debbie Stabenow
The Honorable Bob Menendez

CC: The Honorable Paul Ryan
The Honorable Kevin McCarthy
The Honorable Nancy Pelosi

The Honorable Mitch McConnell
The Honorable Chuck Schumer