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President and Chief Executive Officer

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The Honorable Orrin Hatch
Chair
Senate Finance Committee
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of the Association of American Medical Colleges (AAMC), I write to express our gratitude that the Chairman's mark released on Nov. 9 preserves several key tax policies of importance to academic medicine that would be eliminated in the House Committee-passed version of the Tax Cuts and Jobs Act (H.R. 1). Additionally, we appreciate that the proposal does not make changes to the Affordable Care Act's individual mandate to purchase health insurance. While the Chairman's mark reflects a significant improvement over H.R. 1, as the process moves forward, we hope to work with the Senate Finance Committee to address other provisions that 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 grateful that the Chairman's mark does not include language that would repeal the tax exemption for Private Activity Bonds (PAB), which are a critical financing source for capital improvements, including new research and clinical care facilities and infrastructure improvements to accommodate new medical technology. Among other provisions, we also appreciate that the mark retains tax-free tuition waivers for graduate students, the Student Loan Interest Deduction, and the Lifetime Learning Credit, which ease financial burdens for medical and graduate students in the health care and research pipeline.

At the same time, we are extremely concerned that the package as a whole would discourage charitable giving, which is a vital source of support for medical schools and teaching hospitals. Additionally, other troublesome provisions in the mark would financially strain our members, affecting their ability to fulfill their research, education, and clinical missions. We urge you to remove the following items:

- ***Excise tax based on investment income of private colleges and universities (H.R. 1, Sec. 5103).*** 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 H.R. 1, the Chairman's mark would impose a 1.4 percent tax on the net investment income of certain private colleges and universities. This arbitrary tax on long-term endowment growth would force many otherwise tax-exempt institutions to reduce future investment in student education, research, or clinical care.

- ***Repeal of advance refunding bonds (H.R. 1, Sec. 3602).*** While we are grateful that the mark does not eliminate PABs, we urge you to retain advance refunding bonds as well. These 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 are also concerned with the following provisions that could negatively impact our institutions and the communities they serve:

- A provision that would impose an excise tax on compensation for certain employees at tax-exempt organizations, including medical professionals, which would limit resources that would otherwise support medical school and teaching hospital missions; and
- A provision that would include name and logo royalties under unrelated business income tax (UBIT), which would impact academic medical center affiliations, among other activities. Additionally, under the mark, institutions would be required to compute UBIT separately for each trade or business, which is not in line with aggregation in corporate taxation.

We do not object to tax reform policies that seek to strengthen the opportunities our economy affords all Americans, but the provisions discussed throughout this letter will have the unintended consequences of driving up the cost of health care, research, and education. As the Committee considers the proposal, we urge you to remove these provisions.

Sincerely,

Darrell G. Kirch

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President and Chief Executive Officer