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THE WHITE HOUSE
WASHINGTON

August 31, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN
FROM: JAMES E. CONNOR *JEC*
SUBJECT: Tax Reform Bill:
Tax Credit for Post-Secondary
Education

Confirming telephone call to Roger Porter of your office earlier today, the President reviewed your memorandum of August 25 and approved the following option:

Option 3 - Express support in the Conference Committee for the principle of tax credits for college tuition and post-secondary technical training while indicating that we believe the specific provisions of such a credit -- amount, phase-in floor, and qualifying expenses -- requires further study.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE

WASHINGTON

August 25, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Tax Reform Bill: Tax Credit for
Post-Secondary Education

Section 2601 of the Senate version of the Tax Reform bill (HR 10612) provides a tax credit for certain post-secondary educational expenses. This provision, sponsored by Senator Roth and others, was added to the tax reform bill in the Senate Finance Committee and is not part of the House bill. No hearings have been held on the provision. The Treasury has never formally expressed an Administration position on the provision, either in testimony before the Finance Committee or in any written submission. Traditionally, the Treasury has opposed such specialized use of the tax system and the recent proliferation of tax credits. However, the 1976 Republican platform states: "We recommend tax credits for college tuition (and) post-secondary technical training," although the platform also reaffirms "our determination that any net reduction of revenues must be offset by reduced government spending." This memorandum seeks your decision on the position the Administration should take in the Conference Committee on the Senate amendment providing a tax credit for certain post-secondary educational expenses.

Background

Senator Roth's amendment would provide a non-refundable tax credit for expenses for tuition, fees, books, and supplies for full time college programs or post-secondary vocational education. The credit would equal 100 percent of such payments by an individual for himself, his spouse, or his dependents up to a maximum per student of \$100 in 1977, \$150 in 1978, \$200 in 1979 and \$250 in 1980 and subsequent years.

The credit would not apply to graduate studies or to elementary or secondary education. It would not apply to expenses for meals, lodging, or other personal items. The tax credit would apply to expenses for courses beginning

after June 30, 1977. Treasury estimates the revenue cost during the next 5 fiscal years as follows:

1977	0
1978	\$475 million
1979	\$700 million
1980	\$925 million
1981	\$1.1 billion

During Senate floor consideration of the Roth amendment, Senators Buckley, Taft, and Durkin sponsored an amendment which would have substituted a tax deduction of up to \$1,000 for college tuition, \$500 for secondary or vocational schools, and \$250 for elementary schools. This amendment was defeated 52 to 37. Senator Muskie's motion to postpone indefinitely further consideration of the Roth amendment was defeated 60 to 20.

Since there is no similar provision in the House bill, the Conference Committee is free either to drop the entire amendment, to adopt the provision in toto, or to redesign the provision within the parameters of the Senate version. Treasury anticipates the House conferees will oppose including the Roth amendment in the Conference Committee Report on budgetary grounds and the fact that there has been no House consideration or hearings on the amendment.

Issue: What position should the Administration take in the Conference Committee on the Senate amendment providing a tax credit for certain post-secondary educational expenses?

Option 1: Oppose the tax credit for post-secondary educational expenses.

Advantages:

- o Opposition to the Roth amendment is consistent with opposition to further specialized use of the tax system and the proliferation of tax credits and with a preference for targeting assistance to students in the form of scholarships, grants, and loans.
- o Enactment of the Roth amendment entails considerable revenue losses in out years rising to over \$1 billion annually for FY 1981.

Disadvantages:

- o Opposition to the Roth amendment would be perceived as inconsistent with the 1976 Republican platform.

Option 2: Support the Senate provision for a tax credit for post-secondary educational expenses

Advantages:

- o Support for the Roth amendment is consistent with the 1976 Republican platform.
- o The amendment enjoys widespread popular appeal since a great many people view themselves as either current or potential beneficiaries.

Option 3: Express support in the Conference Committee for the principle of tax credits for college tuition and post-secondary technical training while indicating that we believe the specific provisions of such a credit -- amount, phase-in, floor, and qualifying expenses -- requires further study.

Advantages:

- o This position is consistent with the language in the 1976 Republican Platform.
- o This provides an opportunity for further study and consideration of such a tax credit and for congressional hearings on the issue.
- o This approach would permit consideration of a specific tax credit provision during the Administration's budget process.

DECISION

Option 1 _____ Oppose the tax credit for post-secondary educational expenses.

Supported by:

Option 2 _____ Support the Senate provision for a tax credit for post-secondary educational expenses.

Supported by: Labor, Marsh, Friedersdorf

Option 3 GR 4 Express support in the Conference Committee for the principle of tax credits for college tuition and post-secondary technical training while indicating that we believe the specific provisions of such a credit -- amount, phase-in, floor, and qualifying expenses -- requires further study.

Supported by: Treasury, CEA, Commerce, OMB
Domestic Council