AAMC

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Darrell G. Kirch, M.D.
President and Chief Executive Officer

November 27, 2017

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Schumer:

On behalf of the Association of American Medical Colleges (AAMC), I write to express our concern regarding the elimination of several key tax policies of importance to academic medicine in the Tax Cuts and Jobs Act as passed by the Senate Finance Committee (SFC). As the process moves forward, we urge Congress to address these 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 SFC-passed bill 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. We also appreciate that the bill 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. We urge the full Senate to retain these provisions when it considers the bill.

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

- ***Elimination of Shared Responsibility Payment for Individuals Failing to Maintain Minimum Essential Coverage (Sec. 11081).*** According to the Congressional Budget Office, a repeal of the individual mandate would result in 13 million more individuals without insurance by 2027. The nation's medical schools and teaching hospitals know first-hand that patients without insurance are more likely to forgo preventive care, leading to potentially more complex and costlier treatment when they do eventually seek out care. Increasing the numbers of uninsured patients without corresponding support for the safety net will threaten both urban and rural providers, creating a ripple effect on regional health care networks.

- ***Excise Tax Based on Investment Income of Private Colleges and Universities (Sec. 13701).*** 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. The SFC legislation 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 (Sec. 13532).*** While we are grateful that the SFC bill does not eliminate PABs, we urge the full Senate 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 Senate considers the proposal, we urge you to remove these provisions.

Sincerely,

Darrell G. Kirch

Darrell G. Kirch, MD
President and Chief Executive Officer

CC: The Honorable Orrin Hatch
The Honorable Ron Wyden