The United States Senate
COMMITTEE on FINANCE
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# Wyden Statement on Improving Education Tax Incentives and Lowering Student Debt from the Start

*As Prepared for Delivery*

Today the Finance Committee turns its attention to the U.S. tax code, an anticompetitive, mindlessly-complicated tar pit that makes it harder to create good jobs, succeed in global markets, and nurture innovation. It is long past time to drain this swamp. Because the tax code is like an ecosystem, changes in one area almost always have big effects on others. That's why tax reform must be comprehensive – it has to include both individual and business policies.

As the Finance Committee continues to drill down with hearings on reform, the committee will focus on one byzantine part of the tax code that's ripe for improvement: how the tax code incentivizes higher education. Everybody knows that getting a college education is one of the surest ways to climb the economic ladder. But the skyrocketing cost of college leads to smothering loads of student loan debt, and in fact, it can even have the effect of reinforcing inequality.

In its debate over education costs, Congress has put a great deal of focus on how to make students' huge debt bills more manageable. Today the committee will come at this from another angle – one that I think is central to any effort to help struggling families and reinvigorate the middle class. I want to focus on policies that will mean students have less debt from the start.

The crazy quilt of tax benefits and aid programs on the books today doesn't get that job done. And as a result, there are millions of Americans who want to get a college degree, but can't.

It now takes at least 36 calculations for a family to navigate the overlapping web of tax incentives for higher education in the code today. Each of those tax incentives has its own definition of qualified expenses, student eligibility, and income thresholds. Students and parents shouldn't be expected to wade through this mess.

The Finance Committee can make the menu simple – get it down to three credits or deductions that are user-friendly and get students the help they need. This improved system ought to be based on a few key goals – saving, covering costs, and easing the burden of loans.

For one, education tax incentives cannot be allowed to drive inequality the way they do in today's flawed tax code. In 2011, families with incomes under $25,000 got an average of only $930 in education tax credits. But families with much higher incomes can get a benefit nearly three times that size. If education is the great equalizer in society, then access to higher education cannot be unequal.

A recent paper from the non-profit Corporation for Enterprise Development showed that the government's tax spending on higher education is greater than the entire discretionary budgets of nine separate federal agencies. Let's retool that big investment, get more value out of those dollars, and encourage more saving early in a child's life. With so many families struggling to cover basics like rent and groceries, simply repeating "save, save, save" may not be constructive. Families that start saving within a few months of a child's birth could be made eligible for an "Early Savers" break that would complement a parent's contribution, so as to promote lifelong saving. Working parents of modest means who manage to save could have their savings matched through the Earned Income Tax Credit. There are also ways to wring more value out of the tuition savings vehicles called "529 plans." Auto-enrolling employees into savings plans for college is another idea that deserves strong consideration.

The fact is, there are a variety of ideas of how to promote lifelong savings. Senator Schumer has done terrific work putting proposals together. President Clinton, Senator Grassley, former Senators Kerrey, Santorum, Gregg, and Dodd have all supported various forms of child savings accounts. It's rare to see an idea with that strong level of support from all ends of the political spectrum.

At the same time, it's essential to clear out the barriers known as "asset limits" that punish many families when they save. Too often, a struggling family risks losing food assistance or Medicaid coverage when they manage to put aside some money for their child's education. No family in America should have to face going hungry or forgoing necessary medical care in order to save for their child's education.

It's also important to do a better job of getting the word out about these education incentives. There is no simple college savings guide for new parents. And the Higher Education Act says schools must provide current and prospective students with a host of information on student aid programs, but nowhere does it mention tax credits. Schools aren't required to relay this information to students in any coherent, uniform way. It's no wonder that students and families are leaving money on the table. The incentives are out of whack, leaving families relying too heavily on risky loans.

There are other steps to take that would help students and their families reduce debt from the start. For example, it's important to give students better information about their educational choices. That's why Senator Warner, of this committee, Senator Rubio and I introduced the Student Right to Know Before You Go Act. This legislation would give students a one-stop-shop for information about the net costs, graduation rates, transfer rates, and student debt levels at various schools. And students could get a sense of what they'd earn with various degrees. That way, if students have to take on debt, they'll be doing so as informed investors. It's hard to believe that resource doesn't already exist.

Furthermore, colleges and universities have a responsibility to hold down costs. Higher education cannot become a luxury good, because that would be the death knell of America's middle class.

In Oregon, the average four-year grad with debt owes nearly $27,000. Wait till you hear Amber Lee of Oregon, who's joining the committee here today, describe what's ahead for her. Rather than buying a car or saving up for a down payment on a home, students are making loan payments. More students would walk the halls of college and earn degrees if they had to take on less debt. They'd be pumping more money into their communities and saving for the future.

Some student loan debt may be unavoidable. But leaving students with less debt is possible. Simplifying the tax code and making education incentives more user friendly is not just possible – it's essential. And giving students the information they need to make informed choices about prospective schools and degrees is another critical piece of the higher ed puzzle. There are common-sense steps I believe this committee can take on a bipartisan basis to help students avoid taking on paralyzing amounts of debt. Today's hearing is just one of our committee's challenges in our bipartisan effort to fix America's tax code. It is an especially important one, and we are determined to get it right.

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