

Impact of H.R. 1 on Graduate Students

Section 1204(e) of H.R. 1, the Tax Cuts and Jobs Act, repeals an important tax exemption for graduate students receiving a tuition remission. Here we provide a summary of its impacts on government revenues, graduate students, and graduate institutions.

How much money is raised by repealing the tuition exemption for graduate students?

Using the latest data available¹, we estimate that the revenue raised by this provision would be between \$250 and \$360 million annually, or approximately \$3 billion over 2018-2027. It is worth comparing this amount to the impact of some other provisions in H.R. 1:

Name	Change in Revenue 2018-2027
Reduction and simplification of individual income tax rates	▼ \$995 billion decrease
Enhancement of standard deduction	▼ \$819 billion decrease
Repeal of deduction for personal exemptions	▲ \$1,383 billion increase
Maximum rate on business income of individuals	▼ \$597 billion decrease
Simplification and Reform of Deductions	▲ \$1,258 billion increase

The money raised by repealing the tuition exemption is several orders of magnitude less than the changes in revenue due to other provisions in the bill.

What is the financial impact for graduate students?

There are hundreds of doctoral-granting institutions that are home to over 145,000 graduate students receiving a tuition exemption. An analysis performed at UC Berkeley² found that under the proposed bill, the financial impact on a typical graduate student would be significant:

Student	Type of School	Change in Annual Tax Burden
Teaching Assistant	Public	▲ \$1,412 (61%) increase
Research Assistant	Public	▲ \$1,140 (31%) increase
Research Assistant	Private	▲ \$9,584 (240%) increase

For first-year graduate students who are not yet California residents, the financial impact at a public school is similar to that of a private school.

Graduate students in California already live near the poverty line due to their low pay and high cost of living. The repeal of the tuition exemption would preclude many students from attending graduate school without going into significant debt.

What is the impact for institutions?

Upcoming negotiations between the unions representing graduate students and the University of California system highlight how H.R. 1 will negatively impact institutions of higher education. The increased tax burden on students will a) reduce negotiating power for the unions which represent tens of thousands of students, and b) require universities to spend more of their budget on graduate student stipends.

The high cost of living in California means that universities will have greater difficulties attracting talented graduate students, and the students that do enroll will be under even greater financial stress. In turn, the quality of both the teaching and the research done by these graduate students would suffer, and the negative impacts would be felt by all Californians.

¹From the American Council on Education, <https://goo.gl/AfzguP>

²By physics PhD student Vetri Velan, available at <https://goo.gl/PEVilw>