



Washington Update

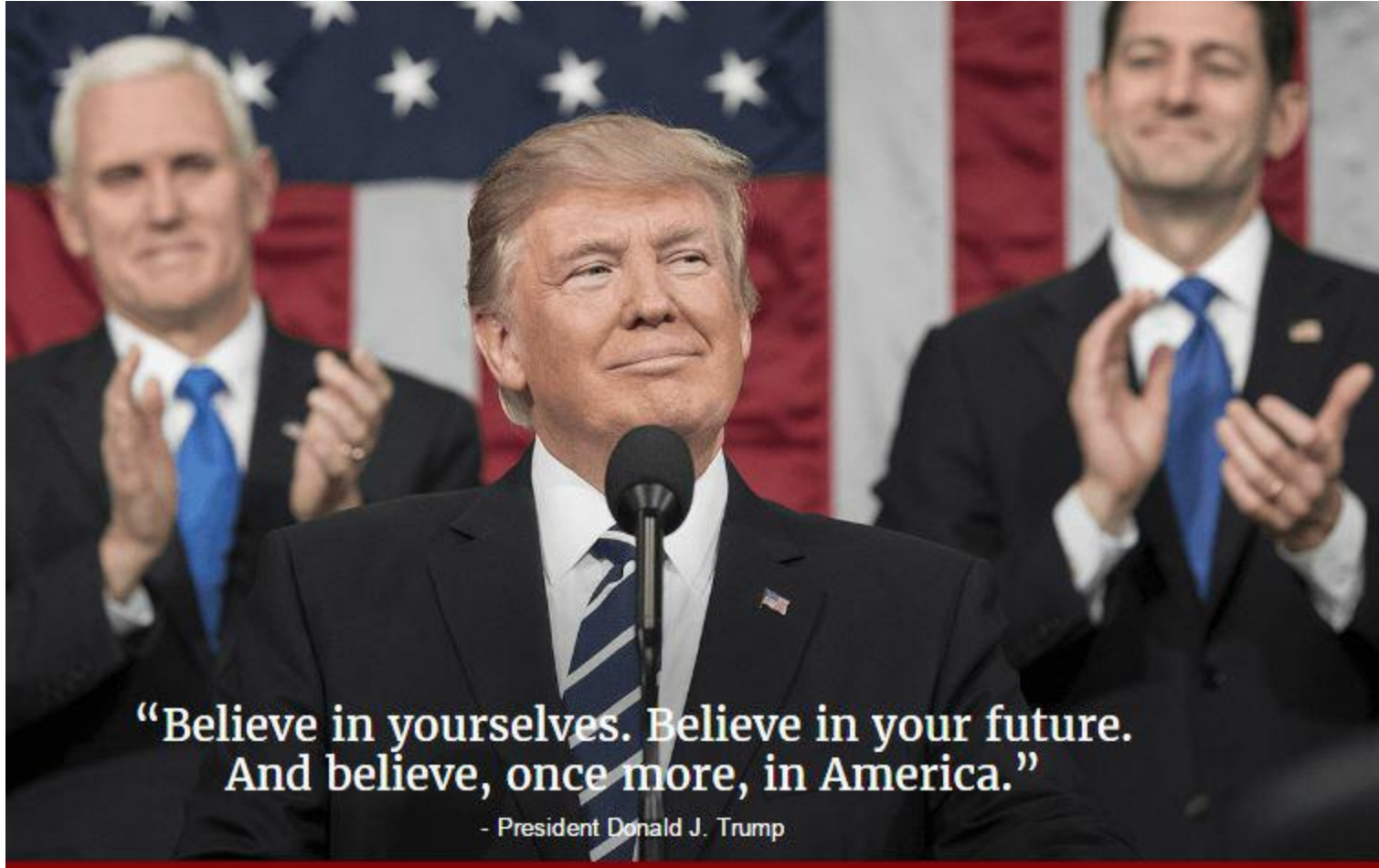
Corpus Christi
October 3, 2017

Anne C. Gross

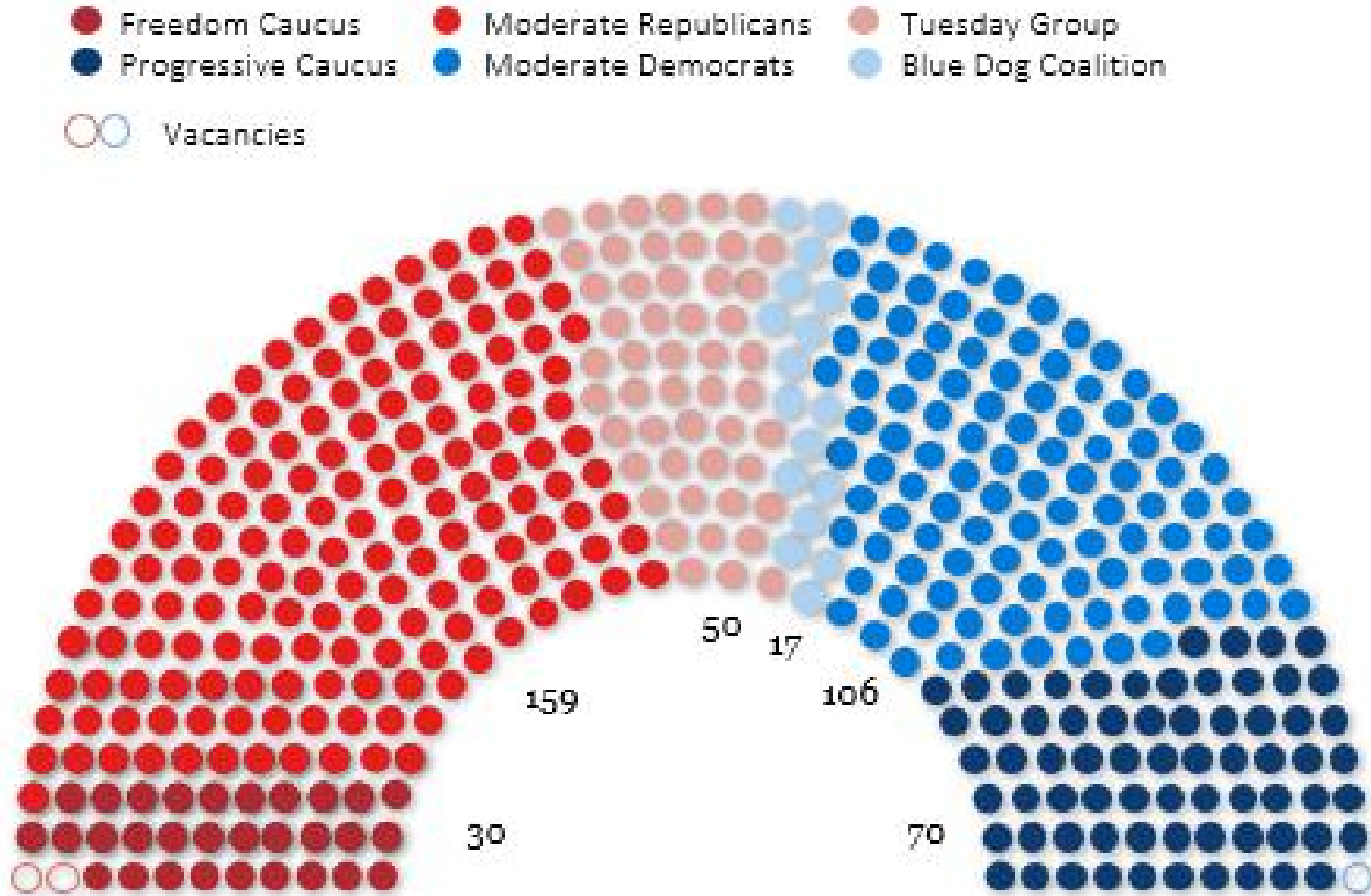
Vice President, Regulatory Affairs

NACUBO

A New Era?



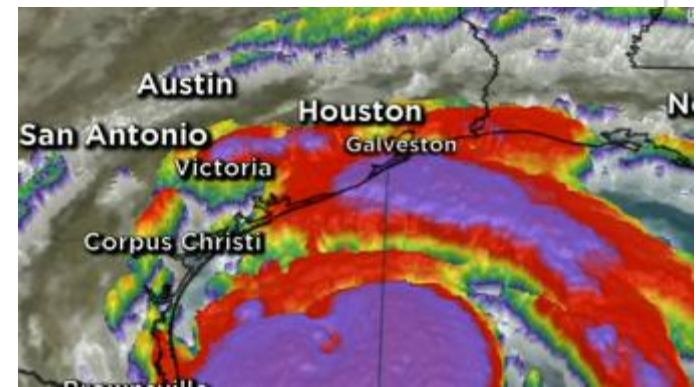
House Makeup by Caucus



Source: National Journal, 2017

September To-Dos

- FY 2018 Funding
- Debt Ceiling
- 2017 Budget Reconciliation
 - ACA replace and repeal
- FAA Reauthorization
- Children's Health Insurance
- Disaster Relief





New Deadlines

- Both chambers in session
- Both chambers in recess
- Senate only in session
- House only in session

CR Expires

October

M	T	W	T	F
2	3	4	5	6
9 Columbus Day	10	11	12	13
16	17	18	19	20
23	24	25	26	27
30	31			

November

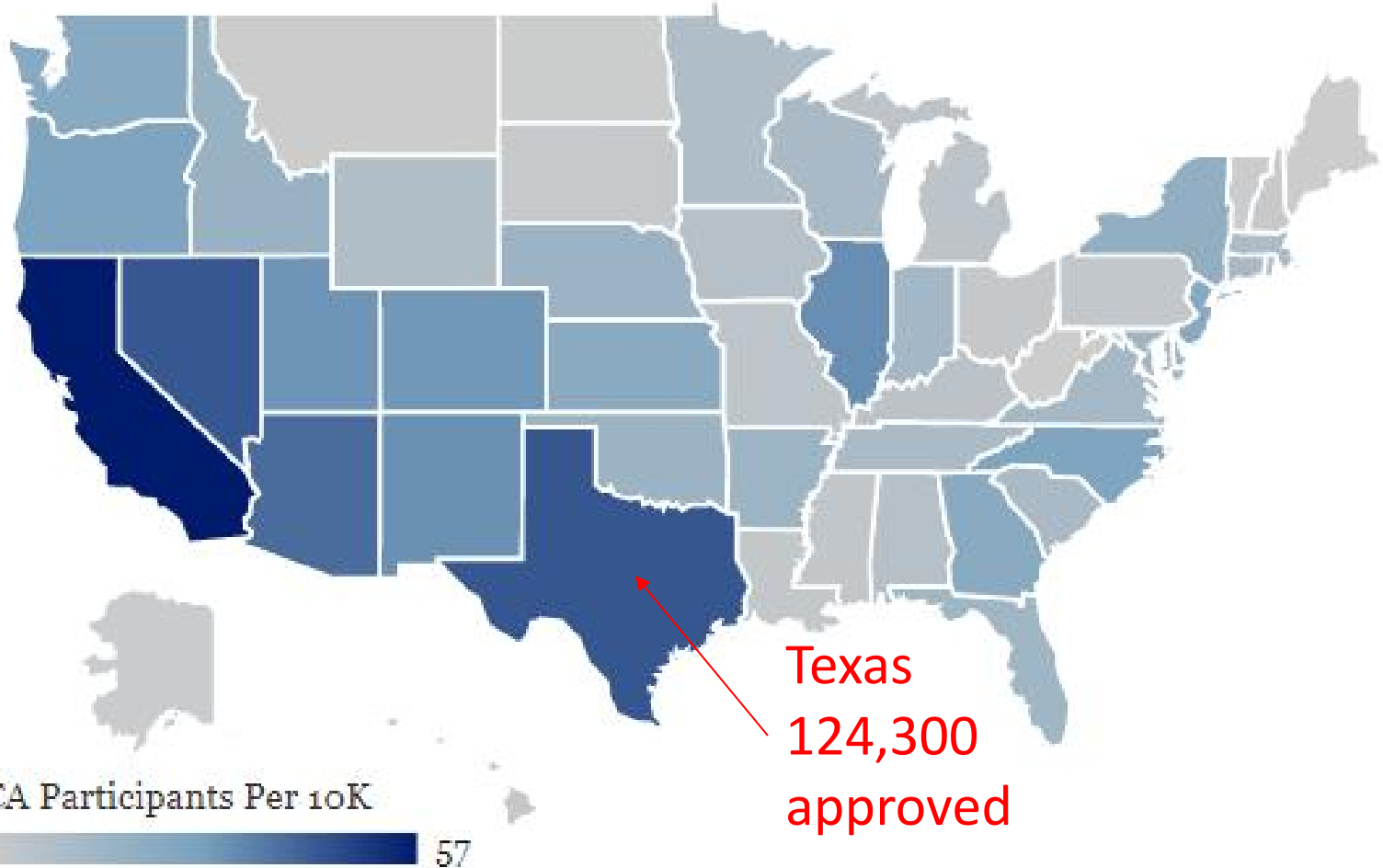
M	T	W	T	F
		1	2	3
6	7	8	9	10 Veterans Day (observed)
13	14	15	16	17
20	21	22	23 Thanksgiving	24
27	28	29	30	

December

M	T	W	T	F
				1
4	5	6	7	8
11	12	13 Hanukkah begins	14	15
18	19	20 Hanukkah ends	21	22
25 Christmas	26	27	28	29

2018 Budget resolution
 Debt ceiling – January ?
 DACA - March

DACA



SOURCE: Governing calculations of U.S. Citizenship and Immigration Services, 2016 Census population estimates

Tax Reform



2017 Tax Reform for Economic Growth and American Jobs

The Biggest Individual And Business Tax Cut In American History

Goals For Tax Reform

- Grow the economy and create millions of jobs
- Simplify our burdensome tax code
- Provide tax relief to American families—especially middle-income families
- Lower the business tax rate from one of the highest in the world to one of the lowest

Individual Reform

- Tax relief for American families, especially middle-income families:
 - Reducing the 7 tax brackets to 3 tax brackets of 20%, 25% and 35%
 - Doubling the standard deduction
 - Providing tax relief for families with child and dependent care expenses
- Simplification:
 - Eliminate targeted tax breaks that mainly benefit the wealthiest taxpayers
 - Protect the home ownership and charitable gift tax deductions
 - Repeal the Alternative Minimum Tax
 - Repeal the death tax

Business Reform

- 15% business tax rate
- Territorial tax system to level the playing field for American companies
- One-time tax on trillions of dollars held overseas
- Eliminate tax breaks for special interests

Process

- Throughout the month of May, the Trump Administration will hold listening sessions with stakeholders to receive their input and will continue working with the House and Senate to develop the details of a plan that provides massive tax relief, creates jobs, and makes America more competitive—and can pass both chambers.



MORE jobs | FAIRER taxes | BIGGER paychecks

UNIFIED FRAMEWORK
FOR FIXING
OUR BROKEN TAX CODE

SEPTEMBER 27, 2017

Tax Reform Concerns

- Education tax credits
- Endowment excise taxes or mandatory payouts
- New unrelated business income tax treatment
- Impacts on charitable giving
- Adjustments to (or elimination of) tax-exempt bond financing

Other Possible Tax Issues

- UBIT loss “basketing”
- Royalties from name/logo
- Corporate sponsorship
- College athletic seating rights
- Section 127, 117
- FICA tax exemption for students and foreign workers



Pell Grants

- Maximum award for 2016-17 is \$5,815
- For academic year 2017-18 it is \$5,920
 - SEOG and FWS level-funded
- Year-round Pell reinstated

Funding Outlook

- Trump's FY18 budget blueprint
 - Level funding for Pell awards
 - “Reprogramming” Pell surplus
 - Elimination of FSEOG
 - 50% cut to FWS and reformed allocation formula
 - Cut GEAR UP and TRIO by \$193 million
 - Level funding for HBCUs and MSIs

Direct Loans

- Trump budget would
 - End interest subsidy for loans for new borrowers
 - Consolidate income based repayment plans into one option to pay 12.5% of discretionary income
 - No standard repayment cap
 - If only undergrad debt, forgiveness in 15 years
 - If any grad debt, forgiveness in 30 years
 - Mentions working with Congress on risk sharing for schools

End of Perkins Loans?

- Authorization expired Sept. 30, 2017
 - additional disbursements of existing loans through AY17-18 for undergrads
- Perkins Loan Extension Act has more than 220 cosponsor in House
 - But no support from chairs Foxx and Alexander
- Guidance: DCL GEN-16-05 (2/17/16)

[Note: Due to transition to COD, excess cash process delayed until early 2018]

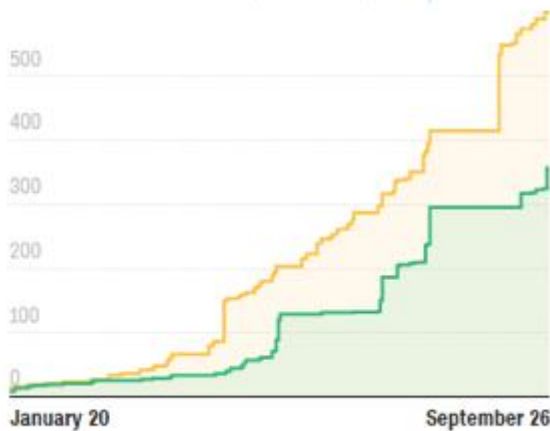
Presidential Appointments



Bush

599 nominations
355 confirmations

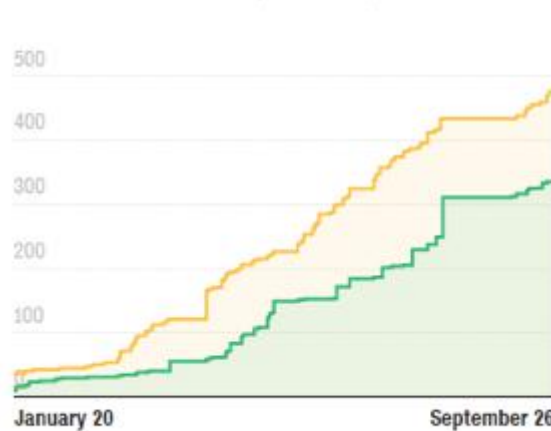
As of September 26, 2001



Obama

475 nominations
334 confirmations

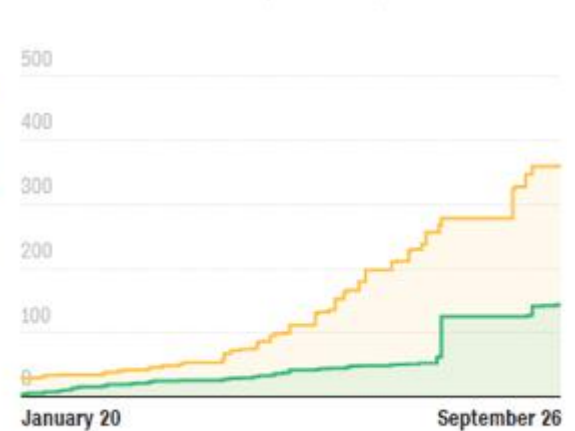
As of September 26, 2009



Trump

359 nominations
142 confirmations

As of September 26, 2017



Source: CNN



Department of Education

Betsy DeVos

Secretary of Education



A. Wayne Johnson

COO, Federal Student Aid

Jim Manning

Acting Undersecretary

Kathleen Smith

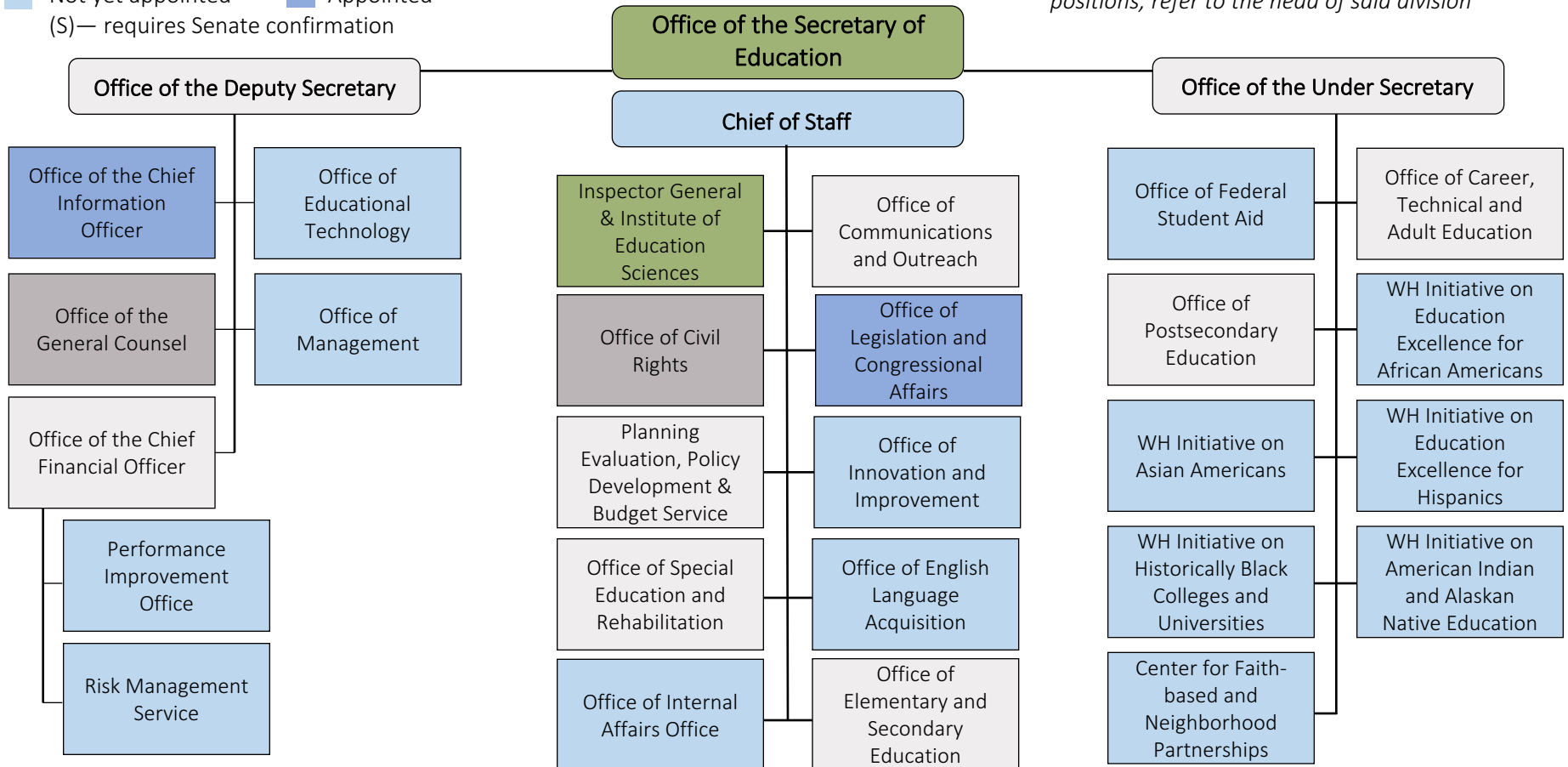
Acting Assistant Secretary for
Postsecondary Education

Department of Education

Organizational chart

- Not yet nominated (S)
- Nominated (S)
- Confirmed (S)
- Not yet appointed
- Appointed
- (S)— requires Senate confirmation

**Boxes corresponding to divisions, rather than positions, refer to the head of said division*



Sources: Department of Education.

Rules Vulnerable to CRA

Borrower Defense

- Loan forgiveness
- Financial responsibility

Published
11/1/2016
Effective
7/1/2017

State Authorization

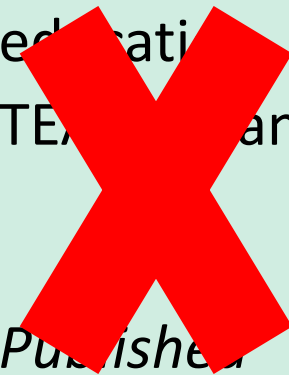
- Distance education
- Foreign locations

Published
12/19/2016
Effective
7/1/2018

Teacher Preparation

- Teacher education
- TEA grants

Published
10/31/2016
Effective
7/1/2017





Borrower Defense to Repayment

- Define circumstances under which loans may be forgiven
 - Breach of contract
 - State or Federal court judgment
 - Substantial misrepresentation
- Establish framework for process
 - Statutes of limitation
 - Group-wide discharges
- Prohibit use of mandatory arbitration agreements
- Protect federal fiscal interest



New Triggering Events

Automatic Triggers

Potential liabilities due to suits, borrower defense claims, settlements

Accrediting agency required teach-out plan

Vulnerable gainful employment programs

Discretionary Triggers

Drop out rates

Fluctuations in aid utilization

Citations

Violations of loan agreements

Do Over

- Borrower Defense
 - Effective date delayed
 - Negotiated rulemaking to start in December
 - Dedicated subcommittee on financial responsibility
- Gainful Employment
 - Negotiated rulemaking to start in November
 - Reporting and disclosure still required



State Authorization for Distance Education

- Institution offering distance education must:
 - Be authorized in each state in which it enrolls students if state requires authorization
 - Document state process for resolving student complaints
 - Provide disclosures for programs offered solely through distance education
- Recognizes state reciprocity agreements (SARA) (but confusingly...)



State Authorization for Foreign Locations

- Additional location/branch campus outside U.S.
 - Must be authorized by “appropriate government agency” in host country
 - If at least half of an educational program is offered, it must be
 - Approved by institution’s accrediting agency
 - Reported to the state where the institution’s main campus is located
- Effective date July 1, 2018



Cash Management Disclosures

Bank fees on selection menu

- Post by ~~7/1/17~~ **1/1/18**
- Safe harbor if ED's format used (see 7/18/17 FR notice)

Data on T1 and most T2 arrangements

- Must post in same location as contract by 9/1/17
 - If $n \geq 30$, number of students with accounts during year and mean and median costs incurred by them
 - Total monetary consideration paid or received
 - Total nonmonetary consideration paid or received

(see Cash Mgmt Electronic Announcement #7 6/16/17



Third-Party Servicers

ED DCL GEN-16-15

- New Q&As address
 - Definition of third-party servicers
 - Contract requirements
 - FERPA and data security
 - Audit requirements
- Additional Q&As added on March 8
 - Related to cash management
- Regulations unchanged

Third-Party Servicers

Yes

- Tier 1 partner processing credit balance refunds
- State agency performing Title IV related activities for institution
- Software provider if performs any Title IV activity or has view access to student data

No

- Prints and mails credit balance checks, processes EFTs, from school's account
- Temporary help providing Title IV processing support, paid by institution or through agency*
- Auditors, help in responding to prog review or audit

*if temp agency does not focus on higher ed or Title IV

Single Audit Requirements



1. Expect guidance in FY18 mandating that SFA cluster be audited as a major program annually
2. Safeguards Rule (GLBA) to be added to compliance requirements in FY18

Changes to Form 1098-T

Trade Preferences Extension Act of 2015

- Easing of penalty enforcement
- Taxpayer must have Form 1098-T
 - Exceptions as "provided by the Secretary"

PATH Act

- Must report amount paid in Box 1



Required Certification

8383 VOID CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2016 Form 1098-T	
FILER'S federal identification no.	STUDENT'S taxpayer identification no. <input type="checkbox"/>	2	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.	
STUDENT'S name	3 Check if you have changed your reporting method for 2016 <input type="checkbox"/>	4 Adjustments made for a prior year \$		5 Scholarships or grants \$
Street address (including apt. no.)	6 Adjustments to scholarships or grants for a prior year \$	7 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code	8 Check if at least half-time student <input type="checkbox"/>	9 Check if a graduate student <input type="checkbox"/>		10 Ins. contract reimb./refund \$
Service Provider/Acct. No. (see instr.)				

Form **1098-T** Cat. No. 25087J www.irs.gov/form1098t Department of the Treasury - Internal Revenue Service



New Pub 1220 Instructions

- Enter 1 to certify compliance with applicable TIN solicitation requirements regarding individual student when:
 - Educational institution received a TIN from the individual in response to specific solicitation in the current year, a previous year, or the institution obtained the TIN from the student's application for financial aid or other form (whether in the year for which the form is filed or a prior year) and, in either instance, has no reason to believe the TIN on file in the institution's records is incorrect.
 - Educational institution files Form 1098-T with this field blank because it has no record of the student's TIN, but only if the institution made the required written TIN solicitation by December 31 of the calendar year for which the Form 1098-T is being filed.

Proposed Rules

- IRS published proposed rules on Aug 2, 2016
 - Eliminate box 2 reporting
 - Eliminate most reporting exceptions
 - Add new elements to be reported
 - Add definition of scholarships that are “administered and processed by the institution”
- Timetable for final rules ?



No More Extensions

- For tax year 2018, all institutions **must use Box 1 to report amounts paid**
- You need to
 - Think through items that need special codes
 - When charges for spring are posted
 - Plan how to explain the change to students/parents



Reporting Payments in Box 1

NPRM says payments received from any source*

- Treated first as payment for QTRE up to amount billed
- Then as payment for non-QTRE

} for enrollment during calendar year

+ Amounts “received with respect to” amounts billed for academic period beginning in the following year

*Except aid restricted to non-QTRE



Tax vs. Academic Calendar

2015					2016										2017								
Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
				C					C			C				C					C		
				P	P	P			P			P	P				P	P				P	
					A	A							A				A	A					

C charges

P payments

A aid

1098-T Myths

- If a payment is reported in box 5, it should not be reported in box 1.
- School must track source of all incoming payments to student account so those that are not from an individual are tracked as a scholarship.
- If the school bills for spring in December, payments made in January aren't considered QTRE.



Advisory Report 2013-2

Recommendations for Completing Form 1098-T

- Prepared by joint subcommittee from Tax and SFS Councils
- Hoping to build greater conformity across schools on what amounts are reported on 1098-T



Qualified Tuition and Related Expenses for Box 1 or 2 on Form 1098-T

✓ Report	✗ Do Not Report
<i>Tuition and fees required for enrollment</i> <i>Charges for books and supplies paid to institution</i>	<i>The following charges are generally not mandatory and/or cover personal expenses.</i>
Tuition	Tuition or other charges for courses related to sports, games, or hobbies (unless count towards degree)
Books, equipment, supplies (if required to be purchased from institution)*	Dining /meal plan charges
Course or program fees (e.g., lab, art, music)	Health or disability insurance fees (even if required; excluded by statute)
Distance learning fees	Housing charges
Enrollment confirmation fees	Late payment fees
Exam fees (for placement, testing out of credit courses, or if required for degree program)	Library fines
Information & technology fees	Loan processing fees
Malpractice insurance (if required for clinical courses)	Orientation fees (portion which covers expenses for overnight stays)
Records fees	Parking permits
Student athletics fees (if required, no personal benefit provided)	Parking fines
Student life/activity/association fees	Student health fees
Other mandatory fees (no personal benefit provided)	Transportation fees (if providing individual benefit)
Comprehensive fees (covering tuition, fees, room, board) must be allocated between QTRE/non-QTRE	

Scholarships and Grants for Box 5 on Form 1098-T



✓ Report	✗ Do Not Report
<i>Payments from the following sources are generally gift aid intended to cover COA and are administered and processed by the institution.</i>	<i>Payments from the following sources do not meet all of the necessary criteria (gift aid, COA, administered and processed).</i>
Corporation or employer under a third-party billing arrangement, including institutional §127 plans	AmeriCorps Education Award— Earned income, not gift aid, AmeriCorps reports to student on 1099-MISC
DoD Tuition Assistance and other support for servicemembers and dependents	Corporation or employer with no third-party billing arrangement (including corporate §127 plans)— Not administered and processed by institution
Federal Pell, SEOG, or other grant	Other college or university, with agreement to exchange students/tuition— student pays home university; exchange payment between universities
Institutional scholarship/grant	Private nonprofit organization, not processed as a scholarship/grant— not administered and processed by institution
Private nonprofit or other organization, if processed as scholarship/grant	Private or family trust— not gift aid, not administered and processed by institution
Scholarship restricted to room and board	State §529 savings or prepaid plan distribution reported on Form 1099-Q
State grant, including vocational-rehabilitation	State or local school system payment for K-12 dual enrollment, if no student account— 1098-T not required
State or local school system payment for K-12 dual enrollment, if student account is maintained	Travel grant/prize/award not related to educational pursuit resulting in college credit— not for COA; may be reportable on Form 1099-MISC
Travel grant/prize/award related to educational pursuit for credit - covers COA	Tuition waived by institution (under IRC §117(d))— should be subtracted from amount paid/billed per IRS Notice 2006-72; Q&A-8
Veterans' benefits (Chapter 31, Chapter 33 (Post 9/11 GI Bill), and Yellow Ribbon)—VA makes payment to institution	Veterans' benefits— Chapter 30 (Montgomery GI Bill)—VA makes payment to student



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