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Statement by Honorable John E. Fogarty

Mr. Speaker, I have introduced today a bill to permit deductions for Federal income tax purposes to persons who are paying the expenses of higher education for themselves or their dependents. I am convinced this legislation is timely in terms of national economic and educational objectives. The Nation needs the services of all young people who can complete higher education. These students will benefit themselves and the Nation by obtaining a higher education and improving their ability to contribute to our society and our economy.

The growing demand of our citizens for higher education, and the increasing cost of that education, makes it desirable but difficult for persons of modest income to provide a college education for their children. Many students who enter college and show themselves to have college ability are forced to discontinue their education before graduation for financial reasons. We must recognize the national importance of encouraging and assisting able students to go on to college and to remain there until graduation.

In the United States, we have gradually raised the level of guaranteed educational opportunities to include the high school. We provide not only the teachers and buildings but also public transportation of students and in many cases books and supplies as well. We have done these things because our youth require educational opportunity to meet the increasing complexity of society. The world continues to grow more complex. The educational levels that led to intellectual maturity yesterday do not go far enough today. There has been a continuous upgrading of jobs. The increasing use

of the products of scientific technology clearly calls for a higher degree of education and technical skill in every line of work. The same forces that caused us to raise guaranteed educational opportunities through the high-school grades now necessitate providing similar opportunities at higher levels. The bill I have introduced is one means of providing some tax relief for those who must finance the costs of this higher education for their children, their spouses, or themselves.

To encourage increased investment in our advancing economy, it has long been our practice to provide for tax-free recovery of income-producing capital outlays through allowances for depreciation and replacement. By the same principle, the tax treatment of investment in education should be at least as liberal as it is for investment in capital goods, since education is at least as important as a basis for producing income as is investment in physical capital.

For some years, we have provided for tax deductions by professional individuals who must upgrade their educational training in order to meet the rising educational requirements of the work they are already doing. There should be some tax relief to encourage investment in the education of those preparing to enter the professions, especially since the amount of education required at the threshold level of most professions is rapidly increasing--and must continue to increase--to provide for the flexibility and adaptability needed to cope with our advancing technology.

My bill restricts its tax deductions to tuition and fees, books and supplies, and the cost of living away from home when necessary. The limitations to not more than \$1,000 for meals, lodging and travel and not more than \$800 for tuition and fees are safeguards to prevent abuses by

those who might choose expensive colleges.

While tax relief would accrue before the individual receives income from the investment in higher education, it must be pointed out that in the long run increased individual incomes would more than offset initial tax income foregone in allowing deductions for amounts invested in higher education. Studies have shown that the median income of families with heads having 4 or more years of college is almost 40 percent higher than the median income of families with heads whose education stopped with completion of high school. Obviously, then higher education is an income-producing investment, and whatever tax relief we grant to encourage it will not only contribute to the economic progress of the Nation but will be more than recovered out of taxes on increased future earnings.

The point to be emphasized here is that there would ultimately be substantial tax gains to the Treasury as a result of the improved earning power of those who go on for higher education. To be quite practical, however, it must be noted that deductions for college expenses would be more effective as a retention device once students are enrolled in college than as a means of bringing to college those who might not have had the financial resources to start their higher education. This is true because the amount of income tax relief realized by the taxpayer (approximately \$300 for a dependent in a public institution and \$450 for one in a private institution) would not be available to the taxpayer until after the initial college expenses of the student had already been paid. In succeeding years, however, the tax relief might be sufficient to retain in college a substantial number who would have been forced to drop out for financial reasons.

It is currently estimated that about 40 percent of the students who enter college go on to graduate in regular progression from the institution of first registration, that another 20 percent transfer or return at a later date to complete the requirements for graduation, and that about 40 percent withdraw and never finish. Financial difficulties are reported to be among the chief reasons for dropping out, especially in the loss of the better students.

It has been estimated that a college graduate earns about \$175,000 more in his lifetime than a high school graduate. If the provisions of this bill are successful in salvaging a fraction of those college students who fail to graduate because of financial difficulties the loss of tax revenue will eventually be offset and conceivably the amendment would improve the overall position of the Treasury.