(E) Tax-Credit and Student Loan Indenture Proposals.

Proposals for a direct deduction from income taxes owed the Federal government because of tuition and required fees paid colleges and universities have attracted substantial support because of several assumptions, all incorrect. More recently, widespread publicity has been given a proposal to solve the fiscal problems of higher education by a sharp increase in charges to students coupled with the privilege of borrowing from the Federal government the increasingly substantial sums required, with repayment by the borrower in the form of a special added income tax over 30 to 40 years. Both these proposals are unsound from the standpoint of public policy, educational policy, and fiscal policy. They are discussed separately below.

(1) Tax Credit for Tuition and Fees.

Three assumptions, the first two contradictory and the third untrue, are made in advancing such proposals:

The first is that they will provide relief to hard-pressed parents. A second is that they provide a way around the problems related to direct Federal aid to non-public institutions and would therefore provide for a substantial flow of Federal tax dollars to these and other institutions. A third is that they are so devised as sharply to limit or eliminate aid to the most affluent and give the greatest aid to those in lower income brackets (though admittedly none at all to those who pay no income tax). The first two assumptions are obviously contradictory. If institutions raise fees to collect tax dollars, parents will get no relief. If parents get substantial relief, institutions will not be aided. The third assumption is untrue. Despite limitations on benefits in terms of gross taxable income, the chief bill advanced to date before Congress allows families with taxable incomes in excess of $50,000 to receive some benefits, those with capital-gains incomes well in excess of that amount to receive some benefits, and those with incomes chiefly from tax-exempt sources to benefit without limitation as to total, as compared to taxable, income.

Although percentage benefits are higher for lower-income families, dollar benefits are clearly higher as incomes rise up to