



## Beat That Snowball!

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It may not “have a snowball's chance in Miami of becoming law,” but according to an article in *Inside Higher Ed* the latest Republican tax reform plan, introduced last week, would do some smart things on higher education. Most notably, it would kill some tax incentives to spend money on postsecondary education, and eliminate the patently absurd 80 percent tax deduction one gets when one “donates” to a school to get season tickets for one’s favorite sports team.

I favor ending the latter not just because my favorite team is in the midst of a dreadful season, and I’m feeling bitter about paying for it, but because it's simply ridiculous that the tax code should favor generally well-off people contributing to big-time college-based entertainment. If ever there were a tax reform that should garner 100 percent, bipartisan support, it is this one. But it probably won’t, because too many politicians like to be honored, and wined and dined, at big schools and their sporting events.

Of course, all the tax-based aid mentioned in the *IHE* article should go – not be consolidated into a bigger American Opportunity Tax Credit (AOTC) – because it artificially inflates college costs, putting the government’s thumb on spending for postsecondary “education,” rather than investing in stocks, or one’s business, or remodeling one’s home, or myriad other possible uses. In addition, while making the AOTC more refundable may skew policy a little less in favor of the well-to-do, the end result will still be schools encouraged to inflate their prices.

Let’s not, though, just blame schools. As a terrific recent article in the *Wall Street Journal* discusses, there is decent evidence that a lot of borrowers use federal student loans to cover more than just educational costs. It’s quite possible, then, that an appreciable bit of that big student debt we hear so much about is driven by borrower’s discretionary spending, not just educational costs. There is also empirical evidence that colleges don’t raise their prices simply because they want to, but in part because they must to attract students. It seems that given their access to lots of federal dough to pay for frills like towering climbing walls and lazy river floats, students will skip over schools that don’t offer such indulgences.

Again, though, don’t expect politicians to act. We know how staggering the waste is in higher education, but it is too easy to come off as the good guy by promising ever-more aid, and too easy to be tarred as cruel when calling for less counterproductive “help.” In other words, cutting tax-based aid is a good idea, but that South Beach snowball still has better prospects.