**REDUCE ACT**

Reducing Excessive Debt and Unfair Costs of Education Act of 2015

Rep. Tom Reed (NY-23)

**Outline**

- Universities & Colleges with endowments of more than $1 billion:
  - Are required to pay out 25% of the endowments earnings in grants to working-family students for the cost of attendance
    - Working Families – family income between 100 and 600% of poverty line
    - Progressive Payout: schools can pay more to lower income working families
  - Earnings = Difference between the FMV of the endowment’s assets at end of previous year minus and the FMV of the second preceding year, subtracting any contributions and adding back any spending
  - If earnings greater than the cost of attendance for working-families, then earnings go next to low-income students
  - If all cost of attendance for working-family and low-income students are covered, then no penalties
- Penalties
  - First year of non-compliance - 30% tax on the undistributed required payout (amount of the earnings that should have gone to students)
  - Second year of non-compliance - 100% tax on the undistributed required payout
  - Loss of tax-exempt status if non-compliant for 3 years
- Effective taxable year after date of enactment