

An analysis of public policy issues and how they affect MRS members and the materials community...

MRS Helps Grad Students Dodge Tax Bullet

Tax legislation does not sound like something that the Materials Research Society would be likely to have a position on, but that is just what happened this summer. While Congress's mammoth overhaul of the tax code had a number of popular and widely publicized provisions, it also had many items that com-

pletely escaped the notice of the popular press. One such item was announced on page 1,779 of the June 20, 1997 issue of *Science* in a small box entitled, "Grad Students Fear Loss of Tax Exemption." The brief report described provisions of the tax legislation then under consideration by the House of Representatives that

would have revoked the tax exemption of tuition waivers that universities award graduate students. The potential tax burden on these students promised to be in some cases a significant fraction of their modest stipends. A tax was also to be imposed on tuition paid by employers. When it learned of the potential legislation, the MRS leadership was very concerned about the potential consequences for the future of materials research and its practitioners.

Fortunately, although the House of Representatives passed the tax bill with the tuition taxes in place, the Senate version of the bill preserved the waivers. This meant that the issue would be resolved in a conference committee involving members of the Tax Committees from both chambers. In early July, members of the MRS Public Affairs Committee, Executive Committee, and Council drafted a letter to members of the conference committee and the rest of Congress explaining the potential impact of the new taxes on the future of materials research. After approval by Council, the letter [see sidebar] was delivered to the conferees of the respective tax committees* (Senate Finance and House Ways and Means) on July 18, in time for their final deliberations. The letter was delivered to all other Members of Congress on July 21. The tax waivers were preserved in the final bill that emerged from the conference that was signed by President Clinton on August 5.

It was less than one month from the time when MRS learned of this issue until the letters were delivered to members of the conference committee. The final legislation was signed by the President about two weeks later. MRS was one of numerous professional societies that, along with many, many graduate students, made their voices heard. By providing input pointing out the detrimental effects of the proposed legislation, MRS volunteers have made a difference.

JULIA M. PHILLIPS

Julia M. Phillips is chair of the MRS Public Affairs Committee.

*Members of the conference committee were: Senators William Roth (R-DE), Trent Lott (R-MS), Daniel Moynihan (D-NY), Pete Domenici (R-NM), Charles Grassley (R-IA), Don Nickles (R-OK), Frank Lautenberg (D-NJ), and Kent Conrad (D-ND); Representatives Bill Archer (R-TX), Dick Armev (R-TX), Phillip Crane (R-IL), Tom DeLay (R-TX), David Hobson (R-OH), John Kasich (R-OH), Robert Matsui (D-CA), Jim McDermott (D-WA), Charles Rangel (D-NY), Christopher Shays (R-CT), John Spratt (D-SC), Louise Slaughter (D-NY), Fortney Stark (D-CA), and William Thomas (R-CA).

Letter sent by the Materials Research Society

Dear Senator/Representative _____:

The Materials Research Society recognizes the complexities involved in the difficult decisions necessary for budget reconciliation. However, the MRS wishes to draw your attention to provisions of the House-passed tax package HR 2014 which cause our community deep concern for the future of America's scientific enterprise—its effectiveness, its ability to supply the nation with its future scientific workforce and leaders, and its ability to address national goals.

We are specifically concerned about the proposed phasing out of Section 117(d) of the tax code, and Section 127. These changes currently allow the exclusion from gross income for qualified tuition for graduate education. Such graduate students are central to the nation's scientific research effort.

According to an analysis by the National Association of Graduate-Professional Students, the potential tax imposed on graduate students for tuition waivers they receive, or for tuition paid by their employer, could significantly increase their tax burden. While these provisions may affect universities in a number of ways, three results more generally related to the research community include:

- Increasing the cost of research: If research grants were used to compensate students for the additional tax, the cost of supporting graduate students would increase significantly, so that less research would be carried out with the same budget.
- Decreasing the supply of scientists and engineers: If students were not compensated for the effects of this tax, their population would be likely to drop due to the high cost of a graduate education.
- Negative impact on the economy: Graduate students are a vital part of university research in science and technology. After their training, they go to jobs throughout the economy. Restricting this source of highly trained employees is likely to have significant ramifications for the high technology industry of the United States.

In March of this year, the Materials Research Society and 45 other scientific societies representing more than 1.5 million scientists, engineers and mathematicians sent to Members of Congress a letter stating that "The federal investment in scientific research is vital to four national goals: our economic competitiveness, our medical health, our national security and our quality of life." Inflationary losses suffered by those federal agencies which have a significant investment in scientific research and education, together with continued budgetary pressures, require that the entire research enterprise become more cost effective.

We urge you to seriously review this piece of legislation that has the potential to undermine U.S. preeminence in science and technology.

Sincerely,
Robert Hull
President, Materials Research Society