

## Federal Policy Developments Digest

---

May 14, 2025

### House Republicans Finalize Plan for Steep Tax on University Endowments, Up to 21% (5.13.25)

As part of the reconciliation process, House Republicans released a [339-page bill](#) – the Endowment Tax Fairness Act – that would increase the excise tax on wealthy private colleges' endowments. Specifically, the tax would be imposed on net investment income generated each year. According to [The Chronicle](#), 51 institutions would be subject to the tax. The plan organizes colleges into four tiers based on the size of their endowment per full-time student:

- 21% for colleges with more than \$2M in endowment assets per student (8 institutions)
- 14% for colleges with over \$1.25M and up to \$2M per student (10 institutions)
- 7% for colleges with over \$750K and up to \$1.25M per student (17 institutions)
- 1.4% for colleges with \$500K to \$750K per student (this is in alignment with a law passed in 2017)

One provision in the bill specifies that enrollment is calculated according to how many citizens or permanent residents attend the institution, so institutions with significant numbers of international students would see their endowment tax rates rise. Additionally, private religious institutions are exempt from the tax.

Relatedly, to try to distinguish themselves from Ivy League institutions, small liberal arts colleges have recently [hired lobbyists](#) for the first time. A key factor behind these hires, according to reports, is concern about the expanded endowment tax.

*Implications and next steps:* Steven Bloom at ACE notes that this bill [appears](#) to be another ideological attack on higher education, particularly since Republicans are generally against raising taxes. The provision excluding international students from enrollment calculations may be connected to the administration's larger crackdown on international students. A [NACUBO-Commonfund study](#) found that almost half (48.1%) of endowment spending in 2024 went towards student financial aid, along with 17.7% going towards academic programs and research, and 10.8% going towards endowed faculty positions. Thus, this tax could impact college affordability at some institutions. The House Ways and Means Committee met on May 13<sup>th</sup> for markup of this bill. The Senate may have its own approach to the endowment tax. The House and Senate will then need to negotiate.

### Tensions Between Harvard and ED Continue To Escalate As Harvard Adds More to Its Lawsuit (5.13.25)

The ED [informed Harvard](#) on May 5<sup>th</sup> that it is freezing billions of dollars in future research grants and other aid unless Harvard concedes to demands from the administration. In McMahon's May 5<sup>th</sup> [letter](#), she accused Harvard of "engaging in a systemic pattern of violating federal law." This is an escalation in the fight between the administration and Harvard, which sued last month when the government froze \$2.2B in federal funding. Additionally, on May 13<sup>th</sup>, the Joint Taskforce to Combat Anti-Semitism [stated](#) that Harvard has "repeatedly failed to confront the pervasive race discrimination and anti-Semitic harassment plaguing its campus," and as a result, announced that eight federal agencies were terminating \$450M in grants to Harvard, in addition to the previous \$2.2B. The Task Force stated its support of the administration's move to cut funding to Harvard.

In response, on May 13<sup>th</sup>, Harvard [expanded its lawsuit](#) against the Trump administration, saying that the government has “doubled down” on funding cuts, investigations, and threats that will hurt students globally. Harvard stated it has received at least half a dozen notices about grants being terminated. These accusations build on the lawsuit Harvard filed in April which argues the administration did not follow the First Amendment and the Administrative Procedure Act. Additionally, Harvard President Alan Garber [sent a letter](#) in response to McMahon on May 12<sup>th</sup>, highlighting actions Harvard has taken to address issues McMahon highlights while decrying the administration’s “unlawful attempt” to control university operations.

*Implications and next steps:* Harvard has asked the court to block the administration’s moves to block funding. Legal experts believe that Harvard has a strong case, though the government is likely to find other ways to cut funding. A [hearing](#) has been set for July 21. In response to McMahon’s letter, a Harvard University spokesperson had [expressed concern](#) about the amount of control that the administration is attempting to place on Harvard, as well as “chilling implications for higher education.” As a note, the administration has also previously threatened to remove Harvard’s tax-exempt status.

## **ED Initiates Title IX Investigation into Western Carolina University (5.8.25)**

The [conservative National Review](#) reported on May 7<sup>th</sup> that WCU administrators refused to update their Title IX policies in relation to Trump’s [executive order](#) that recognizes only two genders, male and female. WCU has stated that they are compliant with all current state and federal regulations. On May 8<sup>th</sup>, one day after the National Review’s news release, the [ED opened an investigation](#) into WCU, citing *National Review*. This investigation stems from reports that WCU allowed a transgender woman to room in their women’s dormitory and that WCU opened an investigation against then student, Payton McNabb, who took a video of herself asking a trans student to leave the women’s bathroom. McNabb has been a vocal opponent of transwomen playing on women’s sports teams and was mentioned in Trump’s joint address to Congress in March.

*Implications:* While many investigations have targeted Ivy League institutions, this investigation warrants attention because WCU is not an Ivy League institution but is still being targeted. Given the [quick turnaround](#) of Title IX investigations under the new administration, it’s likely this case will be decided quickly, even though previously, investigations could take years. This case further exemplifies how the administration has often targeted institutions that support trans students, particularly the inclusion of trans women athletes in sports, through their interpretation of Title IX.

## **Federal Student Aid Office Warns Institutions Could Lose Access To Federal Student Aid If Too Many Former Students Default on Loans (5.5.25)**

A press release from the FSA Office [informed institutions](#) that they should begin “proactive and sustained outreach” to former students who are behind on student loan repayments. The press release cited section 435 of the HEA, which states that institutions must keep their cohort default rates (CDR) low (40% for single year and 30% for three consecutive years) or else lose eligibility for federal student assistance. Later in May, the office stated that it will publish data about the rates of nonpayment by institution.

*Implications:* As a reminder, this announcement comes [at the same time](#) that 1) the ED restarted involuntary collections for borrowers who have defaulted and 2) Republicans are proposing consolidating repayment options down to two options, which could increase monthly payments.