

Maine State Bar Association  
Young Lawyers Section

c/o JENSEN BAIRD GARDNER & HENRY  
TEN FREE STREET  
P.O. BOX 4510  
PORTLAND, MAINE 04112-4510

**J. Colby Wallace, Chair**  
e-mail: cwallace@jbgh.com

TELEPHONE #(207) 775-7271  
TELECOPIER #(207) 775-7935

March 14, 2005

The Honorable Connie Mack, Chairman  
The Honorable John Breaux, Vice Chairman  
The President's Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW Suite 2100  
Washington, DC 20220

Re: First Request for Public Comment

Dear Senators Mack and Breaux:

I am writing to you in my capacity as the Chair of the Young Lawyers Section ("YLS") of the Maine State Bar Association (the "Association").

This letter constitutes the response of the YLS, and not of the Association, to your February 16, 2005, request for public comment regarding the Panel's task of recommending reforms to the Internal Revenue Code (the "Code") to the Secretary of the Treasury. In particular this letter addresses two of the four topics you opened to public comment: aspects of the tax system that are unfair and goals that the Panel should try to achieve as it evaluates the existing tax system and recommends options for reform.

In terms of aspects of the tax system that are unfair, the YLS requests that the Panel's recommendations to the Secretary include consideration of the student loan debt burden that affects young professionals. In particular, the limitations in section 221 of the Code do not allow a full deduction for interest paid on student loans and, as such, do not reflect the current economic reality that debt service places on young professionals.

In terms of goals that the Panel should try to achieve as it evaluates the existing tax system, the YLS believes that any reform should recognize the importance of higher education in society as a whole. Moreover, any policy recommendations should promote long-term economic growth and job creation, and encourage work effort, saving, and investment, all with the goal of strengthening competitiveness in the global marketplace. Higher education is a cornerstone of such a goal. Any recommendations to the Secretary must reflect this reality, and any subsequent policies must assist young people who obtain higher degrees, including professional degrees, whether through a full deduction for interest paid on student loans or a more comprehensive policy adjustment.

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Undergraduate tuition has outpaced inflation for the past thirty years by as much as 6.5 times, and never less than twice, the general inflation rate.<sup>1</sup> In the 1976-1977 academic year the average undergraduate tuition and required fees was \$689 at public universities and \$3,051 at private universities.<sup>2</sup> Using the Consumer Price Index inflation index, this is about \$2,228 and \$9,866 in 2003 dollars, respectively. In the 2002-2003 academic year the average undergraduate tuition and required fees was \$4,698 at public universities and \$22,686 at private universities.<sup>3</sup> This brief review demonstrates that since 1976, as measured in 2003 dollars, the average cost of undergraduate education has doubled at both public and private universities.

In the 2001-2002 academic year the average tuition and required fees for a law degree candidate was \$18,577 at public universities and \$23,911 at private universities.<sup>4</sup> In 2002, around 87% of law students borrowed to finance their legal education.<sup>5</sup> During the 1990's, the average amounts law students borrowed more than doubled, and by 2002, the amount borrowed by many law students exceeded \$80,000.<sup>6</sup>

Given these costs, today's students are required to finance higher education at increasing amounts to obtain undergraduate and professional degrees, sometimes stretching debt service over a thirty year period. As mentioned, our current tax system does not allow for a full deduction of student loan interest in the same manner as interest on home loans secured by mortgages. This is an unfair treatment of interest payments on important and necessary indebtedness: home ownership and higher education. Resources expended on debt service by young professionals are resources not invested or spent in other areas of the economy.

Higher education must be a cornerstone of the President's stated goals concerning an important part of the Panel's mission: to strengthen the competitiveness of the United States in the global marketplace through long-term economic growth and job creation, as well as encouraging work effort, saving and investment. Unfortunately, the prospects of high debt may act as a deterrent to young people pursuing higher education.<sup>7</sup> Also, resources directed toward debt service by young professionals are resources not invested or saved.

The YLS requests that any recommendation to the Secretary address the issue of student loan indebtedness and its impact on young professionals. This could mean either recommending

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1 FinAid Page, LLC, *The Smart Guide to Financial Aid: Tuition Inflation*, (<http://www.finaid.org/savings/tuition-inflation.phtml>) (Publisher Mark Kantrowitz, last updated Jan. 2005).

2 U.S. Dept. of Educ. Natl. Ctr. for Educ. Statistics, *Digest of Education Statistics*, Chapter 3 Table 315 (<http://nces.ed.gov/programs/digest/d03/tables/dt315.asp>) (last updated Nov. 2003).

3 *Id.*

4 U.S. Dept. of Educ. Natl. Ctr. for Educ. Statistics, *Digest of Education Statistics*, Chapter 3, Table 318 (<http://nces.ed.gov/programs/digest/d03/tables/dt318.asp>) (last updated Nov. 2003).

5 ABA Comm. On Loan Repayment And Forgiveness, *Lifting the Burden: Law Student Debt as a Barrier to Public Service, The Final Report Of The ABA Commission On Loan Repayment And Forgiveness* 10 (ABA Aug. 2003).

6 *Id.*

7 Sandy Baum, *Research Report 5: The Role of Student Loans in College Access*, The College Entrance Examination Board National Dialogue on Student Financial Aid (January 2003).

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an amendment to the Code to allow for a full deduction of interest paid or by recommending a more comprehensive plan that recognizes the assistance fair tax policy can provide young professionals facing the long-term costs of financing higher education.

Thank you for the opportunity to respond to the Panel's first request for public comment. If you would like further information on the matters addressed in this letter please contact me.

Very truly yours,

A handwritten signature in dark ink, appearing to be 'J. Colby Wallace', written over a horizontal line.

J. Colby Wallace

JCW/pwk