The New Tax Law and Higher Education on the Eastern Shore

There are six institutions of higher education on the Eastern Shore of Maryland, three community colleges, two public universities and a private liberal arts college. Together they enroll over 22,000 students and employ many people in their communities, thus having a very large economic presence. What, if any, impact will the new tax law have on these institutions and their students? That is the question I set out to answer in this article.

In an article in the Edwardsville Intelligencer Dr. Aldemaro Romero, Jr. quotes the 4th Chief Justice of the Supreme Court, John Marshall, as saying “The power to tax is the power to destroy.” He goes on to add that in the new tax code passed by Congress “we can see how this quote rings a bell of authenticity when it comes to higher education.”

One of the deductions that affects students and was on the chopping block for a time has survived. The student loan interest deduction has been very popular with young taxpayers who are still paying back student loans and that was kept. On the other hand, taxpayers can no longer deduct up to $4,000 in tuition and fees for qualified higher education costs.

The new bill doubles the standard deduction for filers, thereby reducing the number of people who would itemize
charitable contributions, including to institutions of higher education. Autumn A. Arnett writes in an article on *Education Dive* that although individuals will still be able to deduct charitable gifts, “the required threshold for itemization would mean an estimated loss of $12 billion to $20 billion per year for the [education] industry beginning in 2018.”

Furthermore, in many states, the state tax rates are required to change with federal rates, which could lead to steep shortfalls in state budgets, resulting in cuts to funding for higher education. Governor Hogan in Maryland has announced that he supports steps to insure that the new federal law doesn't adversely affect the state’s budget. It remains to be seen what those steps will be.

The new tax law is projected to add $1.5 trillion to the national debt over the next ten years. A likely result of that increase in the debt would be that higher education would become the target for budget cuts at the state and federal level, leading to increases in tuition and fees for students.

Thus, the new tax law will result in reduced revenue for schools and increased costs along with the loss of tax deductions for many students and their parents.

* Those wishing to read Dr. Romero’s article in the *Edwardsville Intelligencer* can find it online at: http://bit.ly/2DCl0bR

Autumn A. Arnett’s *Education Dive* article can be found at: http://bit.ly/2GcivM6

By Dr. George Shivers

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**Check the Facts!**

Is it news or “fake news?” Truth or urban legend? Here’s a handful of useful sites where you can find out who’s telling the truth, who’s spinning, and who’s outright making it up. These and other sites will be added to the Common Sense Resources and Links pages.

- **Politicfact.com** – checks statements by Congress, the White House, lobbyists and interest groups for factual accuracy.
- **Factcheck.org** – checks factual accuracy of what politicians say in speeches, ads, press releases, etc.
- **Snopes.com** – urban legends, and email rumors exposed
- **OpenSecrets.org** – where the money comes from and who’s receiving it
VoteSmart.org – everything you want to know about candidates and their stands on issues
Vote411.org – candidates for local, state and federal elections explain their stand on issues in their own words
WashingtonPost.com/news/fact-checker – who’s lying and what they’re lying about; the site also gives the annual Pinocchio Awards

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The Eastern Shore’s Importance to Maryland’s Agricultural Sector

Maryland may rank 41st among the 50 states in terms of size, but the value of its agricultural sales places it firmly in the top half: tobacco (16th), poultry/eggs (18th) and nursery/greenhouse (22nd).

Agriculture is also a major component of Maryland’s Gross State Product (GSP). In 2016, Maryland’s GSP was $378.3 Billion, ranking 15th among the 50 states. Agriculture accounted for $8.25 Billion and 350,000 jobs. It is the largest single commercial industry in the Maryland economy and, not surprisingly, the largest user of land (32%). The sector’s components include more than traditional farming, e.g. micro-breweries, forests, hunting, fishing and aquaculture. The number of craft breweries increased between 2011 and 2016 from 25 to 65. More standard products include poultry, corn, soybeans, wheat, dairy, and meat/livestock.

Major agribusiness leaders are located in Maryland: H&S Bakery, McCormick & Company (largest spice producer in the world) and Perdue Farms (3rd largest US poultry firm). The latter has established its corporate headquarters on the Eastern Shore. The number of Maryland farms of all sizes in 2015 was approximately 13,000 with the average about 166 acres.

The Eastern Shore of Maryland is one of the state’s
two major agriculture producers (the other is the north central region of the state). In 2016, for example, two Upper Shore counties, Caroline and Queen Anne’s, topped the state’s production in two crop categories respectively: Barley, Wheat and Vegetables and Corn, Wheat and Soy Beans.

However, one recent comment heard often is that the Shore agriculture is no longer as diverse as it was even twenty years ago. Only 12 percent of its acreage produces row crops, fruits and vegetables. Without question it is something of, as the Washington Post called it, a “company town”, dominated by large poultry corporations, e.g. Perdue, that buy much of the Eastern Shore’s production. This fact is a source of some future concern.

Over the past 10-15 years, Eastern Shore farmers have learned to plant cover crops and maintain nutrient efficiency and have thus reduced nutrient loading and erosion. In general, the Bay protective measures have led to a very successful partnership of land and water managers.

Because of the Eastern Shore’s proximity to the Chesapeake Bay, its farming is among the most heavily regulated in the state. According to Lynn Hood of Maryland’s Grain Producers Association, the interaction between environmentalists and producers has led to the Eastern Shore of Maryland having, “…the smartest farmers around.”

By Tom Timberman

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Interview with a Kent County Farmer

I was able to sit down with Joe Hickman, whose father bought their 275 acre farm in 1946. Joe not only farms those acres, but also manages some 20 Kent farms owned by others. He described how his Dad and many others in the county early-on practiced something close to subsistence dairy farming until the 1970s when corn became a major crop due to the rapid expansion of poultry farming on the Eastern Shore. Corn is one of the main feed crops for chickens. Today, he plants corn and wheat. Most of the farms he manages are organized as corporations or limited liability corporations, and a number are absentee owned. However, Joe said, often even the non-resident owners over time develop an emotional tie to the land and become interested in making their farms the best they can be.
In the 21st century this means, as Joe emphasized, being environmentally aware for different reasons. Nutrient management and run-off control contribute to crop yields. Moreover, it allows for more and better use to be made of the acres. Hunting, for instance, became a substantial revenue stream once they realized what habitat (crops, trees, etc.) attracts the deer and birds and brings them back each year. Soil health and the health of the Bay are mutually beneficial as noted earlier.

As the interview concluded, we discussed what major elements in his view, had contributed to the success of agriculture on the Eastern Shore. Joe summed it up: (1) cheap money, (2) free trade and (3) cheap labor. When asked if the present Federal Government policies and legislation were worrisome, he just smiled.

By Tom Timberman