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OPINION | REVIEW & OUTLOOK

## Taxing Yale's Endowment

Liberal professors get an education in income redistribution.



Senate President Martin Looney on Dec. 8, 2015 in Hartford, Conn. *PHOTO: ASSOCIATED PRESS*

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Our guess is that most Yale University professors are proud to be progressives. Well, they are now getting the chance to live their convictions as Connecticut Democrats attempt to soak Yale's rich endowment.

Facing a \$220 million budget shortfall, Democrats in Hartford have proposed taxing the unspent earnings of university endowments with more than \$10 billion in assets. Only Yale's \$25.6 billion endowment—the country's second largest after Harvard—fits the tax bill. Yale's tax-exempt investments earned \$2.6 billion last year, eight times more than the University of Connecticut's \$384 million endowment. Oh, the inequality!

“It is our hope that these rich schools can use their wealth to create job opportunities, rather than simply to get richer,” says Yale tax proponent Martin Looney, or else “share a small percentage of their retained earnings with the state's taxpayers, so that we could accomplish these same goals.” Translation: We're going to take Yale's money and

redistribute it. State spending is projected to rise \$1.2 billion over the next two years, and government-worker pensions that are less than 50% funded need a cash infusion.

Hartford is already taxing anything that moves. Last year Democrats raised the top individual tax rate to 6.99% and extended a 20% corporate surtax. The tax hikes precipitated General Electric's decision in January to move its headquarters to Boston. Between 2010 and 2015, Connecticut lost 105,000 residents to other states. For the last five years, it has recorded zero real GDP growth. As Mr. Looney put it with a euphemism for the ages, "Connecticut's economy is going through a transformation."

Yale's endowment funds about a third of the university's \$3.2 billion operating budget including \$2 billion in worker wages and benefits. It also finances financial aid that allows students from families making less than \$65,000—equal to the annual cost of attendance—to attend for free. The average need-based scholarship is \$43,989. Yale also makes \$8.2 million in "voluntary payments" to the city of New Haven, sponsors full scholarships for New Haven public school students to attend in-state universities, and provides housing subsidies for university employees.

Other tax-exempt nonprofits such as University of Bridgeport, United Way of Greater New Haven and Fairfield University have rallied to Yale's defense because they realize they will likely be hit up next. There's no entity too small to tax in Connecticut.

The bill sets a terrible precedent for contract rights since Yale's charter dating to 1818 shields the university from taxation. In *Dartmouth College v. Woodward* (1819), the U.S. Supreme Court held that a university charter is protected from impairment. No one is safe when progressives run out of other people's money.

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