# Rising endowment taxes threaten Maine colleges' financial aid and operations



The Trump administration's efforts to reshape higher education policy have recently included heightened scrutiny of universities' financial structures, most notably the introduction of proposals to significantly increase taxes on college endowment incomes. This development has raised concerns among Maine’s higher education institutions, which collectively hold roughly $5 billion in endowment assets.

Currently, private colleges with at least 500 students and endowments exceeding $500,000 per student are subject to a 1.4% tax on their annual investment income. However, Republican legislators recently introduced bills intending to increase this tax dramatically. Representative Mike Lawler (R-NY) proposed the “Endowment Accountability Act,” which would raise the tax rate to 10% while lowering the asset threshold to $200,000 per student. Another bill by Representative Troy Nehls (R-TX) aims to raise the tax rate further to 21%, keeping the current asset threshold intact. These proposals would disproportionately affect small liberal arts colleges, including those in Maine.

Officials from Bowdoin, Colby, and Bates colleges—the three largest institutions in Maine by endowment size—have expressed apprehension about the potential financial impact. Bowdoin College, which holds the state's largest endowment at approximately $2.6 billion, relies on its endowment for roughly 51% of its operating budget and 78% of its financial aid pool. Matthew Orlando, Bowdoin’s senior vice president of finance and administration, explained that while larger universities can offset such taxes through diverse revenue streams like research funding or sports income, smaller colleges like Bowdoin have far fewer alternatives. “This tax has a disproportionate impact on places like us, for better or worse—worse for us,” Orlando said.

Bates College Treasurer Geoff Swift stressed the essential role endowments play in funding institutional priorities. “An endowment is not a piggy bank or reserve account,” he said in statements made to the Kennebec Journal. “It is an active and essential part of our funding model for the work we do on campus… Pullback on our ability to meet our ambitions will mean diminished capacity to provide financial aid to those who most need it and fewer resources to fund our operations.” Swift added, “It really is that straightforward.”

The concern over increased taxation has occurred amid the Trump administration’s broader campaign targeting universities through executive orders, budget cuts, and threats to withdraw federal funding. For example, the administration has threatened to revoke nearly $9 billion in federal funding to Harvard University and taken similar measures against Columbia University and the University of Pennsylvania over disputed campus protests and policies on transgender student athletes. In Maine, the University of Maine System has come under federal investigation following conflicts between Governor Janet Mills and the president over transgender athlete participation, resulting in potential funding risks.

In addition to the tax increases, Congressional Republicans have sent inquiries to Maine institutions like Bowdoin College concerning their handling of politically sensitive campus events, such as the pro-Palestine encampment held in a student centre. According to the Kennebec Journal, some Republicans support the endowment tax hikes as a means to hold universities accountable for anti-Israel protests.

Public officials from Maine have expressed varying perspectives. Senator Susan Collins (R-ME) and Representative Chellie Pingree (D-ME) have voiced opposition to raising taxes on endowments due to concerns it would hinder financial aid capabilities. Pingree criticised such efforts as politically motivated attempts to pressure educational institutions, saying, “It’s about helping the Administration open another front in their war on education and pressuring these institutions into subservience, silencing opposition, and undermining the very idea of independent thought.”

Senator Angus King’s office highlighted the lack of detailed proposals on the issue, making it difficult to comment definitively. Representative Jared Golden is still reviewing the legislative measures and has not yet issued a full response.

David Greene, President of Colby College, underscored the potential consequences of the tax hikes, noting that about 20% of Colby’s operating budget is derived from its $1.2 billion endowment. He told the New York Times last year that the tax proposals would amount to “less than a rounding error” in federal revenue but would unfairly “punish” students, describing the tax legislation as a “political tool.”

The stakes are high for Maine’s higher education institutions due to their reliance on endowment income to provide financial aid and maintain operations. Increased taxation could force difficult decisions, including cuts to aid and programme funding, which in turn could affect enrollment and staffing. Matthew Orlando remarked, “The impact of this endowment tax goes beyond the border of our campus. There’s a ripple effect here that I’m not sure folks are thinking about.”

As these legislative proposals advance, the ongoing debate over endowment taxation reflects broader national political dynamics surrounding education funding and institutional autonomy.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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2. <https://www.tiff.org/the-impact-of-proposed-endowment-tax-changes/> - This source explains the proposed legislative bills by Representatives Mike Lawler and Troy Nehls aiming to raise the endowment tax rate to 10% and 21%, respectively, and to lower the asset threshold, corroborating the legislative details mentioned in the article.
3. <https://www.pressherald.com/2025/04/23/as-trump-administration-targets-higher-education-maine-colleges-worry-endowments-are-next/> - This news report discusses the concerns of Maine colleges such as Bowdoin, Colby, and Bates about the increased endowment taxation proposals, including Bowdoin's financial dependence on its endowment, confirming the local impact and institutional worries outlined.
4. <https://www.jenner.com/en/news-insights/news/client-alert-proposed-changes-to-higher-education-financial-and-tax-policy-what-colleges-and-universities-need-to-know> - This client alert corroborates the details of Representative Troy Nehls' bill proposing to increase the endowment tax to 21%, matching the corporate tax rate, as described in the article.
5. <https://www.thecrimson.com/article/2025/2/11/increasing-endowment-tax-preview/> - This article discusses broader Trump-era efforts to impose increased financial scrutiny and taxation on university endowments, including the political motivations behind such bills, aligning with the article's context of political pressure and funding threats.
6. <https://www.nytimes.com/2024/10/15/education/colleges-endowment-tax.html> - This New York Times article quotes David Greene, Colby College President, underscoring the potential negative impact of proposed endowment tax hikes on college operations and financial aid, supporting the article’s claim about institutional concerns and political motivations.
7. <https://www.centralmaine.com/2025/04/23/as-trump-administration-targets-higher-education-maine-colleges-worry-endowments-are-next/> - Please view link - unable to able to access data