

ACTE NATIONAL POLICY SEMINAR

Tax Credit for Contributions Of Individuals to Scholarship Granting Organizations

Agenda

- ▷ Background
- ▷ What Is Known and Unknown
- ▷ Considerations
- ▷ Status and Next Steps
- ▷ Questions




Background

The One Big Beautiful Bill Act (OBBBA)

- ▶ In 2025, Congress passed OBBBA, which created a dollar-for-dollar tax credit for individuals who donate to scholarship granting organizations (SGOs) that provide scholarships or vouchers for K-12 private or public school expenses.





What is Known About How The Federal Tax Credit for Vouchers Would Work?

What is Known?

- ▶ Starting in January 2027, individuals can make donations to SGOs of up to \$1,700 per year.
- ▶ SGOs are non-profit entities that would receive taxpayer contributions and provide vouchers.
- ▶ Governors decide whether to opt-in on an annual basis.

Note: As defined by OBBBA, an SGO must be a 501(c)(3), serve 10 or more students in at least two schools, separate tax credit donations from other contributions, verify the household income of eligible students, prioritize vouchers for students that received a voucher in the previous year, and spend at least 90% of all donations on vouchers. An SGO cannot be a private foundation or use more than 10% on administrative expenses.

What is Known?

- ▶ SGOs must be on a state-approved list and can only distribute vouchers in the state they are located; however, SGOs can accept donations from any individual regardless of whether their state of residence opts in.
- ▶ A qualified expense is defined as 1) tuition, fees, room, board, uniforms, transportation, technology, and supplies; 2) special needs services, tutoring, supplementary items and services; and 3) expenses that are connected to enrollment.
- ▶ Students from families who earn up to 300% of the area median gross income are eligible. In [17 states](#), students from families earning nearly or over 500,000 per year are eligible.

How, and to Whom, the Money Flows



Federal Government



States



\$1,700
Tax Credit

\$1,700
Donation



Scholarship Granting Organization

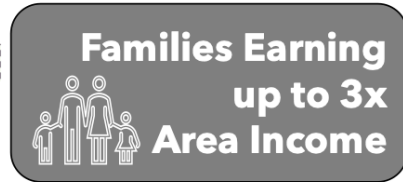


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Schools

Primarily Private & Religious



Families Earning up to 3x Area Income



What is Unknown About the Federal Tax Credit for Vouchers?

What Is Unknown?

- ▶ Donation-based vouchers make it hard to know the total annual amount available and variation across opt-in states
- ▶ Amount of each voucher and who decides the amount
- ▶ Who receives the voucher (e.g., families, schools)
- ▶ How much or little flexibility states will have (e.g., targeting funds to public schools and/or students from low-income families, collecting enrollment data, adding protections)
- ▶ What, if any, transparency, oversight, and accountability measures will be required of states, SGOs, private schools, etc.
- ▶ Exact cost of the federal voucher program
- ▶ Extent of impact on public schools and students

Funding Impact

- ▶ There is no cap on the number of individuals who can claim the tax credit nor on the total amount of federal revenue that can be forgone for this tax credit.
- ▶ Cost estimates range from \$2.6 to \$51 billion annually.



\$26 billion

Over 10 years or \$2.6 billion per year

Source: U.S. Congress Joint Committee on Taxation. Estimated Revenue Effects Relative To The Present Law Baseline Of The Tax Provisions In “Title VII – Finance” Of The Substitute Legislation As Passed By The Senate To Provide For Reconciliation Of The Fiscal Year 2025 Budget. <https://www.jct.gov/publications/2025/jcx-35-25/>

Considerations

- ▶ Lack of transparency, accountability, and other guardrails
 - Potential for waste, fraud, and abuse
 - Unvetted and untested schools and products
 - Civil rights protections

- ▶ Inability to predict tradeoffs
 - Impact on public schools and their students (e.g., will meaningful resources will be brought into the public school system? what could it cost the public school system? which students will benefit the most?)
 - Impact on the federal deficit and future federal spending decisions



Status and Next Steps

Status and Next Steps

- ▶ In 2025, the IRS issued a [request for information](#) (RFI), which focused on things such as certification of SGOs and SGOs' reporting requirements.
- ▶ Importantly, the RFI indicates that states will likely not have the authority to add requirements beyond what is in the statute.
- ▶ The U.S. Department of Treasury has not released proposed rules for the program but are expected to do so soon.
- ▶ Once the proposed rules are released, it will be open to public comments.

Resources

- ▷ [Public and Private School Distribution](#) (Learning Policy Institute)
- ▷ [The Federal Tax Credit Voucher Program: A Landscape of Risks for Public Schools and Students](#) (National Coalition for Public Education)
- ▷ [Income Eligibility Limits for Each State Under The Federal Voucher Bill](#) (National Coalition for Public Education)
- ▷ [Connecting the Troubling History of School Privatization Efforts to the New Federal School Voucher Program](#) (Southern Education Foundation)
- ▷ [New Federal Tax Credit for Private-School Scholarships Sets Off Power Struggle](#) (Wall Street Journal)
- ▷ [A Backdoor School Voucher Scheme That Sidesteps Civil Rights and Undermines Public Oversight](#) (The Century Foundation)



Questions