

## Are tax credits scholarships a voucher by a different name?

**Yes. Like vouchers, these programs redirect public money for educating all children to private schools, including religion-based schools. Diverting funds from public schools harms our children's education because schools are forced to respond to the lost money by cutting staff and programs.**

### **This is why**

**Education tax credit scholarship programs are a money-laundering scheme.** Whereas vouchers distribute public education funds directly to parents, education tax credit programs use a third party – often called a school tuition organization (STO) – that is set up as a nonprofit by the state or by financial groups connected to the private school industry. Tax credits are issued by the state to private individuals, businesses, or corporations that make donations to the STO. The money from the STO is distributed to selected parents to use for private school tuition, instead of going to public schools that rely on that funding.

**Education tax credit scholarship programs don't save money.** They drain financial resources from public schools while providing tax benefits to wealthy businesses and individuals. In states like **Georgia**, where every dollar is credited, all the money donated is returned to the donor. The taxpayers of the state are footing the cost of the vouchers to private schools. STO's take part of the funding, adding cost.

**Education tax credit scholarship programs are a give-away to the rich.** High-income taxpayers are the main beneficiaries of the programs. They not only get their donations back as a tax credit; they also can take a federal charitable tax deduction on top of that.

**Education tax credit programs open opportunities for financial fraud and theft of public funds.** States mostly don't have personnel and resources to track how the money is spent,

and there are opportunities for middlemen to skim off money that would be better spent on direct services to kids.

### **Look at the facts**

In **Georgia**, the state does not track who is receiving scholarships under the program, and state lawmakers made it a criminal offense to disclose information about the program to the public.<sup>1</sup>

Public schools in **Arizona** get about \$4,200 per pupil from the state, but the state's education tax credit program awards \$5,200 on average to parents participating in the program – an additional \$1,000 for every child who leaves a public school for a private or religious school.<sup>2</sup> Some private schools have received as much as \$18,000 per scholarship. Parents can get multiple scholarships for a child from multiple tuition organizations – something the state doesn't even bother to track.<sup>3</sup>

To cover the costs of the money transfers through tax credits, **Arizona** skims 10% off for administration – millions of dollars meant for education is diverted and another layer of bureaucracy has been added to the system.<sup>4</sup>

Often, wealthy taxpayers donating to STOs can also claim a federal charitable tax deduction on their donations. This can result in a tax cut as large as \$1.35 for each dollar donated. This is a gift of public funds to the wealthy, masquerading as a "good cause."<sup>5</sup>

*(continued)*



**Pennsylvania's** tax credit scholarship programs reduce by \$175 million the funding available for the state's general fund budget that includes education. Some businesses that participate in the programs actually make money in the deal by getting a 75-90% credit on their state tax bills plus a state and a federal tax deduction for a "charitable" contribution. STOs can keep 20% of the funding they receive (\$25 million annually) and are not required to report how they spend it.<sup>6</sup>

The education tax-credit program in **Arizona** has been championed by the president of the State Senate who also

owns one of the state's largest voucher-granting STOs, owns the company that provides the computers, data entry, and customer service to the program, and owns the building where the STO is located with his law firm.<sup>7</sup>

The education tax credit program in **Alabama** is directed by a board dominated by the same board members who direct Florida's program. One board member is also chairman and founder of Florida's largest tax credit voucher provider and vice-president of American Federation for Children, a school choice advocacy organization founded by Education Secretary Betsy DeVos.<sup>8</sup>

WHAT PRIVATIZERS BELIEVE	WHAT WE BELIEVE
Education tax credit scholarships offer low-income parents greater educational choice.	Education tax credit scholarships are a coupon program for parents who can already afford private school and should pay their own way. They are a scheme for the wealthy to save on taxes.
Education tax credit scholarships offer families more education choices for their children.	Education tax credit scholarships offer false choice. Vouchers hardly ever cover the full costs of high-quality private schools.
Education tax credit scholarships save taxpayers money.	Education tax credit scholarships add another layer of administrative costs and open public money to fraud and exploitation by privateers.

## Bottom Line

When government funds for education are redirected to private pockets, your schools lose the financial capacity to serve all students with the same level of quality. If the goal is to make more high-quality school choices available for parents, then the emphasis should be on helping current public schools be the best they can be. This is no more than a gift of public funds and a scheme to help the wealthy and corporations avoid paying taxes.

<sup>1</sup> "SPJ announces 'winners' of Black Hole Award," Society of Professional Journalists, March 13, 2012.

<sup>2</sup> "Arizona private-school families cash in on state's tax-credit program," Alia Beard Rau, The Republic.

<sup>3</sup> "School-voucher expansion could cost Arizona \$24M a year or more," Rob O'Dell and Yvonne Wingett Sanchez, The Republic, Feb. 22, 2017.

<sup>4</sup> "DeVos and Tax Credit Vouchers: Arizona Shows What Can Go Wrong," Kevin Carey, The New York Times, March 2, 2017.

<sup>5</sup> "How States Turn K-12 Scholarships Into Money-Laundering Schemes," Carl Davis, The American Prospect, March 3, 2017.

<sup>6</sup> "Myth busting the \$125 million private and religious school scholarship tax credits in the EITC/OSTC programs: Lots of \$\$\$ with no fiscal or academic performance accountability," Education Voters of Pennsylvania.

<sup>7</sup> "Sen. Steve Yarbrough makes out like a ...legislator ... on tax-credit tuition program," Laurie Roberts, The Republic, July 28, 2015.

<sup>8</sup> "Alabama Has Its Own Tax Credit Program, Run by Floridians!" Diane Ravitch, blogpost, March 8, 2017.

