



Tax credit scholarships: What you need to know

What are tax credit scholarships?

Businesses or individuals give money to private schools or to third-party “scholarship organizations” to cover tuition at private schools. Contributors then get tax credits for the amount they donated or a percentage of that amount.

How do tax credit scholarships compare with vouchers? Vouchers are direct payments from government funds to a family or a private school to cover private school tuition. Both vouchers and tax credit scholarships divert public tax revenue to private schools.

What’s wrong with tax credit scholarships?

They allow businesses and individuals to earmark where their tax dollars are going by sending those dollars to private, including religious, schools.

How are tax credits different from tax deductions? Tax credits typically decrease your tax bill by more than tax deductions. Instead of paying a tax bill of \$X, you pay \$X minus credit. A deduction decreases the amount of income you are taxed on.

How do tax credit scholarships hurt other charitable causes? They make donations to these scholarship funds more attractive than donations to other causes.

Would donors get a deduction *and* a credit for these scholarship donations? The current Illinois proposal would only give one or the other. In states where donors get a deduction

and a 100% credit, donors can actually make a profit from tax scholarship credit contributions.

How do they hurt public schools? Illinois already doesn’t collect enough tax revenue to pay for the things a functioning state needs. Public schools are underfunded and the neediest schools have the fewest resources. The bipartisan state commission on ed funding found that IL needs to spend a minimum of \$3.5B more than it currently spends to adequately fund all public schools.

Who do voucher programs help? Voucher programs in other states have subsidized families who were never going to send their children to public school in the first place. The proposal in Illinois would include a family of four making up to \$113,000.

Who do these programs hurt? Private schools can discriminate in admissions on any basis. They can exclude children based on disabilities, sexual orientation, religious beliefs or even just behavior or academic ability. Public schools can’t turn students away and they’ll have a shrinking pot of funding to educate all students.

Why worry about a program that might only cost \$25 million? Similar programs in other states have started small and then ballooned. Wisconsin’s voucher program began with \$700K and is now \$245M. Indiana’s started as \$7M in 2011 and is now almost \$150M. Illinois’ proposal could grow by 25% a year to nearly \$1 billion in a decade.