



Tax Credit Voucher Schemes: A Racket That Leaves Needy Students Behind

Tax credit “scholarships” are thinly disguised public subsidies for tuition at private and religious schools. Donors receive tax credits from the state when they fund vouchers for private and religious schools. Eight states had tax credit schemes as of spring 2012, **diverting \$350 million from public schools for 2011-12 to subsidize tuition at private and religious schools.** Proponents claim these tax credit vouchers give students from low-income families the same options to attend private schools as students from wealthier families have. But that is often not the case. Even some private school parents and administrators have questioned whether the programs are really a sham.ⁱ

- An independent report in Georgia found evidence indicating that **most students** receiving tax credit vouchers in 2009 **had already been attending private schools.**ⁱⁱ In fact, Georgia students need only “enroll” (but not necessarily attend) a public school to become eligible for a tax credit voucher. Arizona’s program allows donors to recommend students who already attend private schools to receive scholarships.
- Tax credit vouchers have been used to **benefit private schools and donors at the expense of the neediest children.** For example, private donors in Georgia direct tax credit donations to vouchers for the children of donors or children from families that secured the donations from businesses and others. Little is then set aside for the children from low-income families that proponents had argued would be helped by the program.
- A cottage industry of organizations makes money by soliciting tax credit donations and then helping private schools decide which students get the vouchers funded by those donations. That model **gives the schools – rather than families – the real choices.** It also **enriches the voucher organizations.** Pennsylvania lets such organizations keep up to 20 percent of donations in administrative fees
- Money for tax credit vouchers is **used to attract star athletes to private schools and expand the payrolls of organizations soliciting voucher donations.**
- Lobbyists in Pennsylvania use that state’s largest “scholarship” (voucher) organizations – funded with donations from corporations – and decisions about who gets those vouchers to **curry favor with lawmakers.**

ⁱ Except where noted, data in this briefing paper comes from an in-depth New York Times report: “Public Money Finds Back Door to Private Schools, New York Times, May 21, 2012, <http://www.nytimes.com/2012/05/22/education/scholarship-funds-meant-for-needy-benefit-private-schools.html>

ⁱⁱ “A Failed Experiment: Georgia’s Tax Credit Scholarships for Private Schools,” The Southern Education Foundation, http://www.southerneducation.org/content/pdf/A_Failed_Experiment_Georgias_Tax_Credit.pdf