Federal Legislation Talking Points
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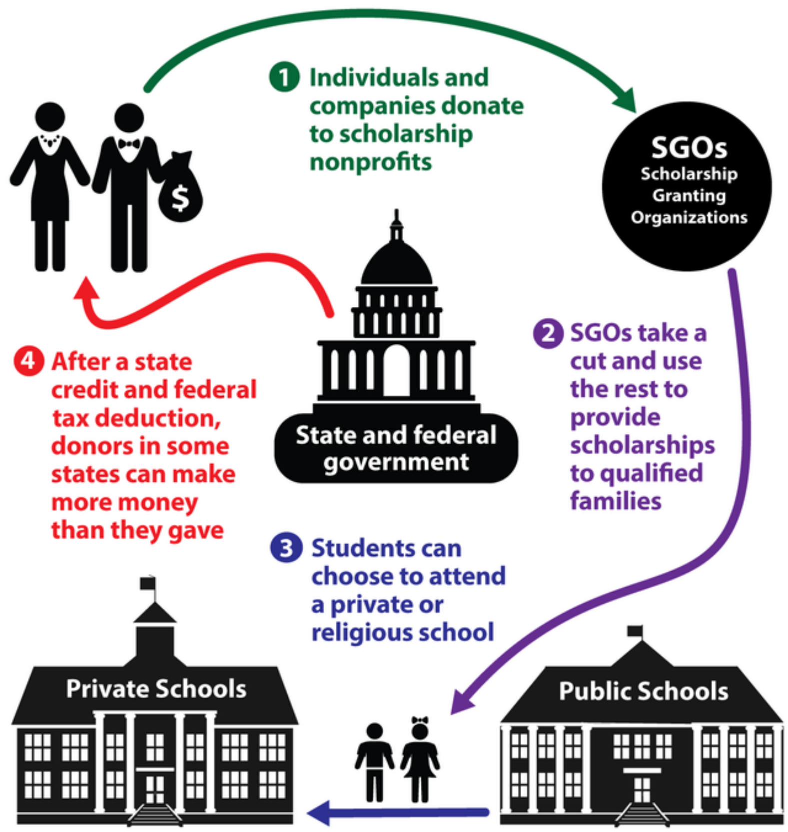
AESA
ASSOCIATION OF EDUCATIONAL SERVICE AGENCIES

Tuition Tax Credits (TTCs)

Background: Currently, 17 states have laws that generate private school vouchers through a tax-credit mechanism and that divert up to $1 billion annually from public coffers. These policies, known as tuition tax credits (TTCs), allow taxes owed to a state by individuals or corporations to be redirected into charitable donations to voucher nonprofits that then bundle the donations and distribute tuition checks to families to use to attend private schools. The voucher nonprofits are known as Scholarship Granting Organizations (SGOs). The SGOs can direct dollars toward specific types of schools (for example, schools affiliated with a religion or schools promoting a specific curricular approach). Nationally, the average voucher amount for students from a SGO is $2,580.



When combined with a federal tax loophole that allows taxpayers to receive a federal deduction on a dollar-for-dollar state tax credit, 9 of these states' credits are so lucrative that they allow some upper-income taxpayers to turn a profit (at federal taxpayer expense) on contributions they make to fund private school vouchers. Simply put, wealthy taxpayers are benefiting from a federally sanctioned voucher tax shelter. The states with these loopholes are: Alabama, Arizona, Georgia, Montana, Oklahoma, Pennsylvania, Rhode Island, South Carolina, and Virginia.

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AESA TALKING POINTS – TUITION TAX CREDITS

Federal TTC Legislation

School voucher advocates, including Education Secretary DeVos, are strategizing on a plan to include a federal tuition tax credit when Republicans move forward with tax reform. There are two legislative options: 1) allow taxpayers and corporations in states with TTCs to also benefit from a new federal tax credit (thereby profiting considerably from their "charitable donation") or 2) create a new federal tax credit program that is open to any taxpayer or company in any state. The second option has been fleshed out and introduced in Congress and is known as the *Educational Opportunities Act* (HR 895/S148). This legislation would allow individual taxpayers and businesses in any state to receive federal tax credits for donations to school voucher nonprofits, up to $4,500 per year for individuals or $100,000 per year for corporations. Donors in states with state voucher tax credit programs would also be eligible for a state credit. By stacking federal credits and state credits together on a single donation, some individuals and corporations would be able to double their money by claiming a dollar in state credit and a dollar in federal credit for each dollar donated. The result would be a risk-free, 100% profit of up to $4,500 per year for individuals or up to $100,000 for corporations. Wealth managers and tax accountants would be foolish to not advise their clients to take advantage of this handout from their federal and state governments.

AESA Talking Points

- The end result of a TTC is the same as under a traditional voucher program: a boost in resources for private schools and a reduction in resources for public education and other services.
- Oppose the *Educational Opportunities Act*, which allows wealthy taxpayers and corporations to exploit the tax code for personal gain and deprives public schools of critical funds.
- Ask Congress to close the federal voucher tax shelter that allows for the voucher tax shelter in 10 states and deprives all taxpayers of revenue that could be used to support public education.