

Protecting Students While Public Education is Under Attack

Threat: The Federal Voucher Tax Credit Program

The federal voucher tax credit program provides a dollar-for-dollar tax credit to individuals who donate to scholarship granting organizations (SGOs) in states that have “opted in” to the program. The credit is capped at \$1,700 annually for the individual, with no limit on the total amount of credits provided. SGOs distribute these “donations” to families, who can use the funds for a host of qualifying expenses including tuition for private schools, books, curricular and other educational materials, tutoring, online educational resources, dual enrollment fees, afterschool programs, and more. Importantly, this means families may also be able to use the program while keeping their children in public schools. Families must be within 300% of an area’s median income to receive these funds from an SGO, meaning even wealthy families living in high-income areas will be eligible to participate. (For a list of the highest income eligibility limits in each state, refer to this [memo](#).)

By January 1st of each year, governors must decide whether their state will “opt in” to the program and if so, must provide a list of SGOs in their state that will participate. SGOs have authority to determine which expenses they will fund and scholarship eligibility beyond the income limits described above, leaving the door open for possible discrimination.

The tax credit can be claimed beginning in 2027, but Treasury has already allowed states to begin opting-in if they choose.

As of January 2026, much remains unknown about how the federal voucher program will operate. The Secretary of the Treasury has regulatory authority over the voucher program and can use the rulemaking process to decide how it will work in practice. Treasury has already issued a [Request for Comment](#) (RFC) outlining questions they hope to clarify through this process. While no formal rules have been published, this initial document indicates that Treasury will likely:

- Prevent governors from adopting additional accountability guardrails to ensure the SGOs operating in their state are high quality
- Not require SGOs or the federal government to report data on student achievement – making it impossible for advocates to track whether the program is serving students effectively
- Restrict governors’ ability to ensure funds from the program are supporting public school students specifically
- Grant governors little authority in determining which SGOs are eligible for the program by potentially forcing them to include all SGOs operating in their state that meet minimal requirements.

Risk: Decreased Funding for Public Schools

Due to this tax credit, every dollar the federal government forfeits collecting is a dollar they don't have to spend on public education. Given the Trump administration's repeated support for voucher programs, coupled with their continued proposed or enacted cuts to public education, it's not a stretch to assume that the likely substantial costs associated with this program will be used to justify further attempts to cut funding for public schools. Furthermore, although vouchers are [overwhelmingly utilized](#) by students already in private schools, public schools also stand to lose money directly from any students who use the program to switch from a public to a private school.

Risk: Lack of Accountability

The legislation creating the federal voucher tax credit includes minimal accountability guardrails. While further guardrails may be implemented by Treasury through the rulemaking process, their initial RFC makes this seem unlikely. Without clear accountability guardrails, the program stands to funnel public dollars toward ineffective and unaccountable programs for the wealthiest families while leaving those students with the greatest needs behind. Furthermore, the lack of accountability makes it difficult for the public to understand where and how their tax dollars are being spent. This makes it more likely that the program will be used to fund schools and services that have not [been shown to educate students effectively](#), or even for expenses that are [not](#) educational.

Consequences for Students

The non-public institutions that will be supported and proliferated by this national voucher scheme are not bound by civil rights laws, not subject to public reporting requirements, not required to serve all students, and not subject to the same state level oversight as public schools. This means students — particularly Black and Latino students, and students from low-income students backgrounds — will be subject to an education system that is less safe, less welcoming, and less effective.

- **Increased discrimination.** Private schools are not required to accept every student, or to provide additional services for students with disabilities. This means students with additional needs, such as multilingual learners, students with histories of behavioral problems, students with low test scores, and students with disabilities, may face increased discrimination. The racialized enforcement of school discipline policies also means that students of color are more likely to face discrimination when applying to a private school.
- **Limited school accountability.** While regulations vary by state, [many private schools](#) are not required to meet the same quality and accountability standards as public schools. This lack of accountability measures imposed on private schools, or the program as it currently stands, makes it more likely that students will use funds from an SGO to attend private schools that have no proven history of educating students effectively.
- **Fewer resources for students.** Even if students choose to remain in public school or not use the federal voucher tax credit all together, the diminished funding for public schools caused by the program will force them to do more with less. The loss of both federal funding and state-based per-student funding could force public schools to make tough decisions like cutting programs, increasing class sizes, or even closing schools that experience significant enrollment declines.

How State Advocates Can Drive Change

- **Encourage governors to opt-out of the federal voucher tax credit.** State advocates should urge their governor to opt-out of the federal voucher program given the lack of clarity from Treasury regarding governors' ability to shape this program to best fit the needs of their state, the demonstrated harm voucher programs pose to public schools, the discrimination they perpetuate, and their negative impacts on student achievement

Note: The feasibility of the suggestions below may shift following the release of the Treasury's final rules for the program, which will clarify how much latitude governors have to oversee the program's operation in their state.

In states where the political or statutory environment makes opting out untenable, state advocates can work to minimize harm by:

- **Influencing governor's list of approved SGOs.** State advocates can work to influence which SGOs the governor includes in the program to ensure only those SGOs that prioritize students with the highest needs, have stringent accountability requirements for the programs they fund, and provide funding to public schools, can participate.
- **Advocating for accountability guardrails on SGOs operating in the state.** State advocates can push their state legislature to impose the strongest possible accountability and equity guardrails on SGOs operating within their state. This can include guardrails such as non-discrimination protections; clear requirements for transparency and reporting; limits on the types of expenses that qualify for scholarships; and protections for public school students who may otherwise be disadvantaged under the program.