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The Federal Voucher Tax Credit Program Threatens States and Students

Governors have until January 1st to decide whether to participate in the new Federal Voucher Tax Credit for 2027, an annual decision. The program provides a dollar-for-dollar federal tax credit to contributors of scholarship granting organizations (SGOs), which then distribute the money to applicants for certain eligible expenses, including private school tuition. While framed as expanding educational opportunity, the Treasury Department's recent guidance makes clear that this program will primarily function as a private school voucher mechanism — one with minimal safeguards, weak fiscal and academic accountability, and minimal state control. As a result, the program threatens to undermine equitable funding for public schools while subjecting students and families to a discriminatory, unaccountable marketplace. **For these reasons, EdTrust urges governors to OPT OUT of the program.**

5 Reasons States Should Opt Out of the Federal Voucher Tax Credit

1. **Governors WILL NOT have the authority to shape the federal voucher program to align with their state's priorities and values.** Governors will have minimal, if any, control over which SGOs participate in the program, which students receive program funds, and which program providers ultimately benefit. Treasury's recent guidance also clarifies that states cannot place additional requirements on SGOs, including those that protect students from discrimination.

2. **States will bear the cost and responsibility of program operations.** Treasury has indicated that states are responsible for monitoring SGOs for financial and programmatic fraud and abuse — a responsibility for which Florida leaders have already diverted $2 million in the state's 2027 budget. In undertaking this responsibility, states also face the risk of lawsuits from SGOs that object to the results of their oversight.

3. **This program does not target students with the highest needs.** The program's high-income threshold means families making almost $500,000 in some areas can benefit. States cannot require SGOs to prioritize students with the highest needs, making it likely that resources will not be distributed equitably. Simultaneously, the program's uncapped cost threatens the very federal funding streams on which students with the highest needs rely, such as Title I and the Individuals with Disabilities Education Act (IDEA).

4. **The program's weak accountability invites waste, fraud, inequitable access, and poor student outcomes.** Governors cannot guarantee fair access for all students, particularly those with disabilities, multilingual students, and LGBTQ+ students. State education leaders won't be able track student outcomes or ensure that SGOs and participating schools or providers are effectively using public funds to deliver strong outcomes for all students.

5. **Most dollars will likely flow to private schools — not public school students.** Private schools have the donor bases, SGO infrastructure, and fee-for-service model that this program rewards, making it likely that most of the funds will be used to subsidize private school tuition.

To learn more, visit edtrust.org/vouchers