

POLICY BRIEF: **SUBSIDIZING PRIVATE EDUCATION AT TAXPAYER EXPENSE**

Efforts to subsidize private education take a variety of forms, with the most familiar being the private school voucher provided directly to parents. But there are other less direct ways governments subsidize private schools. One such method is to provide a tax credit to parents to offset their personal education expenses (education tax credit). Another is to allow individuals and corporations to reduce their tax bills by sending what they would otherwise owe in taxes to a foundation that turns the money into private school vouchers (tax credit voucher). Like directly funded vouchers, these tax loopholes do nothing to improve public schools, while actually reducing the amount of money available for proven school improvement strategies.

These programs offer no proven educational benefit

Tax credit vouchers have not been proven effective in improving student academic performance. Research indicates that when student demographics are taken into account, public school students perform as well if not better than private school students.¹ Students attending traditional public high schools are also just as likely to attend college as those attending private high schools.²

Those who promote private school tax subsidies claim that the risk of losing students to private school forces public schools to improve. There is no credible research supporting this alleged positive competitive impact.³

Education tax subsidies do not save money

A common argument advanced in favor of private school tax credits is that they would save states money by encouraging families to switch from public schools to

private ones. A study of individual tax credits in Arizona, however, showed that they were used primarily by families whose children already attended private school.⁴ In such cases, these programs represent net revenue losses for states.

Even in situations where students do switch from public school to private school, school districts may not experience savings, because districts cannot reduce their fixed costs—maintenance, utilities, debt service, transportation, etc.—in proportion to the number of students who leave. Rather than save money, school districts must make do with less.⁵

A nationally recognized economic consulting firm determined that a proposed tuition tax credit program would harm public schools and local taxpayers, who would have to make up any funding shortfall resulting from reduced state expenditures and federal aid. Public school students would experience the most direct impact, as they would attend less well-funded schools or have to travel to distant public schools after neighborhood schools closed due to declining enrollment and funding.⁶

Tax subsidies for private education are fiscally inequitable

As with most tax cuts, the financial benefits of education tax subsidies accrue primarily to the wealthy. In the case of an individual education tax credit, the financial benefits are enjoyed only by families that itemize their taxes, and can afford to pay tuition and then later reduce their tax bill by all or some of their costs. For example, in Wisconsin, two-thirds of the cost of a tax cut for private school tuition payments went to families in the top 13 percent of income earners in 2015.⁷ The fiscal benefits of tax credit vouchers are also enjoyed primarily by those who could already afford private school tuition without a tax break. In fiscal 2014, less than one-third of funds awarded

through Arizona's individual tax-credit program went to low income families.⁸

Furthermore, wealthy donors and corporations can actually profit from their donations to voucher-granting entities, first by using the donation to get a credit against their state income tax liability, and then taking the same donation as a deduction against their income when calculating their federal tax liability.⁹

To make private school tax subsidies politically palatable and less vulnerable to legal challenge, proponents often include in their proposals credits for public school expenses or contributions to public school extracurricular funds. Because families in less affluent communities cannot afford to make donations to their children's schools, the benefits of public school tax credits accrue primarily to wealthy school districts, increasing the disparities between rich and poor neighborhoods.¹⁰ The inclusion of provisions aimed at public school parents is more about making the proposals appear equitable than about actually providing public schools with equitable funding.

Education tax subsidies represent bad tax policy

Government provides public services for the benefit of all members of society. Taxpayers do not get to pick and choose which of these services their tax dollars will support, and which they would prefer not to fund. Taxpayers who buy books, for example, should not receive a tax rebate for not patronizing the public library. Nor should taxpayers who prefer country clubs to public golf courses receive rebates to compensate them for the additional cost of that private choice. Likewise, taxpayers who choose to send their children to private school should not receive tax refunds to pay tuition.

These private school tax subsidies increase the complexity of an already complex tax system. To claim an education tax credit, taxpayers must retain and submit receipts for all claimed education expenses. To minimize the risk of fraud in a tax credit voucher program, the state Department of Revenue would have to compare the contributions that taxpayers claim they made to voucher foundations with the receipts reported by those groups, and also confirm that the donations were used to fund vouchers that were actually used in eligible schools. In Arizona, the chief economist for the state Department

of Revenue warned that the program contained "lots of possibilities for abuse."¹¹

The potential for abuse has been reinforced since that prediction by such actions as the practice in Georgia of enrolling children in private school purely to qualify for a tax credit voucher,¹² and the management of a voucher-granting organization (which retains 10 percent of the donations received to meet administrative expenses) by the president of the Arizona Senate. In addition to paying Sen. Yarborough's salary as executive director, the Arizona Christian School Tuition Organization also outsources its business operations to a company controlled by Yarborough, and pays him rent.¹³

Public schools need proven reform strategies, not unproven schemes

Tax credit vouchers and education tax credits are just the latest in a long list of schemes that have diverted attention from what our children and our schools really need—programs and funding to recruit, train, and retain the best teachers; smaller classes so they can devote enough attention to each child; high-quality early childhood education programs so children come to school ready to learn; tutoring to ensure that those who fall behind aren't left behind, and the active involvement of parents and the community. All students have the right to a great public school, and it is with these kinds of investments—not education tax subsidies—that we will achieve this goal.

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