

Democracy Dies in Darkness

GOP voucher plan would divert billions in taxes to private schools

Donations to scholarship programs would be fully reimbursed through a new tax credit, creating the largest federal tax incentive for charitable giving.

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By [Laura Meckler](#)

The school voucher movement has scored victories in conservative states in a quest to send public dollars to private schools, with tax money following the child. Now backers see their best chance yet to go national.

Congressional Republicans, backed by the White House, are pushing for a new tax credit that would direct billions of dollars a year to school voucher programs — and not just in conservative states.

The program would be fueled by a powerful, never-before-tried incentive: Taxpayers who donate to voucher programs would get 100 percent of their money back when they file their taxes. That means the tax break for giving to voucher programs would dwarf tax incentives for giving to churches, hospitals, food banks and every other charity.

Taxpayers who donate to other charities might qualify for a tax deduction — meaning they would not pay taxes on the dollars they contribute. But donors to voucher programs would get a dollar-for-dollar tax credit, meaning they could subtract the full value of the donation from their bottom line tax liability.

The goal is to give more families more options for their children's education. Too many children, supporters say, are stuck in public schools that do not serve them well but cannot afford other options. A federal program would give more children in more states the opportunity to make a different choice for their education. The tax credit, they say, would encourage and allow taxpayers who want to help to do so.

One version of the plan would cost the federal government \$5 billion a year in lost revenue; another version, \$10 billion. At \$10,000 per student, \$5 billion would be enough to pay for about 500,000 vouchers, which families could use to send their children to private schools or to pay for home schooling expenses. Under a version of the bill approved by the House Ways and Means Committee last fall and a [new version](#) introduced this year, all but the wealthiest families would be eligible to receive vouchers.

“It would be transformational,” said Jim Blew, co-founder of the Defense of Freedom Institute, which advocates for school choice programs. “Although the numbers are very small in the federal context, in the context of the school choice movement, these are huge numbers.”

About 46 million American children — nearly nine in 10 — attend public schools; about 5 million are enrolled in private schools, according to federal data.

Blew and others argue that public schools have failed many students, and families deserve the opportunity to choose alternatives with taxpayer support, just like public school students get taxpayer support. Backers often point to poor test scores and schools that were kept closed for long periods during the pandemic as reasons more choice is needed. They call the movement “education freedom” and sometimes deride public education as “government schools.”

“Giving students a brighter future, no matter their background or address, is critical to move American K-12 education forward,” said Rep. Adrian Smith (R-Nebraska), co-sponsor of legislation to create the tax credits.

But opposition is fierce from those who say these plans drain resources from public schools, which are required by law to take all children. Public school advocates are mobilizing publicly and privately against the plan, lobbying Republicans who might oppose it based on the merits or the cost.

“We’re making sure the public understands this is the greatest threat to public education we’ve ever had at the federal level,” said Sasha Pudelski, director of advocacy for AASA, the School Superintendents Association, who helps lead a coalition of more than 60 groups opposed to the voucher plan.

Pudelski noted that unlike public schools, private schools can reject students based on their religion, test scores, disability or ability to pay tuition. The vast majority of vouchers in existing state programs go to religious schools.

“It would be the first time the federal government is choosing to subsidize a secondary private system of education that can pick and choose the students it educates over the one that welcomes all,” she said.

Voters, too, have opposed these plans. In November, ballot measures to allow vouchers in Kentucky and Colorado failed, while voters in Nebraska voted to repeal a voucher program put into place by the legislature.

But the federal plan enjoys robust support from the most powerful people in today’s Republican Party. President Donald Trump has repeatedly vowed to create a federal school choice program. House Speaker Mike Johnson (R-Louisiana) and Senate Majority Leader John Thune (R-South Dakota) have both co-sponsored versions of the voucher legislation.

Supporters hope the tax credit will be included in the massive budget reconciliation bill that is moving through Congress using a procedure that allows passage in the Senate with a simple majority. It’s not a given. The budget bill’s primary purpose is to extend trillions of dollars in tax cuts set to expire, and lawmakers are searching for savings to fill that hole. The tax credit would make the hole deeper.

Victory in Congress would mark the biggest, but not the only, advance for the school choice movement this year.

Last month, the governors of Tennessee and Idaho signed legislation creating new voucher programs, bringing the total number of states with voucher programs available to all or nearly all families to 16, according to EdChoice, an advocacy group that tracks state policy.

In Texas, where voucher plans have been blocked for years, lawmakers appear poised to enact a program after Gov. Greg Abbott intervened in GOP primaries to replace Republicans who opposed vouchers with Republicans who support them.

And in January, Trump signed an executive order directing the Education Department to look for ways to divert existing federal spending into voucher programs.

“Parents want and deserve the best education for their children,” the order said. “But too many children do not thrive in their assigned, government-run K-12 school.”

No longer just for poor families

The first voucher programs date to the 1990s, and they were initially touted as a way to help families who cannot afford private school and were stuck in low-performing public districts. The early programs limited participants based on income, location or both. Some were targeted to children with disabilities.

Later, backers overcame opposition by creating tax credit programs — a way to offer vouchers without directly allocating money from the state budget. Instead, states offered generous tax credits to corporations and individuals who donated to nonprofit “scholarship granting organizations.” The organizations, called SGOs, then used the donations to give scholarships, or vouchers, to pay for private school.

Twenty-one states have tax credit scholarship programs in place, according to EdChoice.

Congress based the tax credit plan it is now considering on these models. In states that don’t have these programs — typically those run by Democrats — scholarship-granting organizations could be created to participate in the federal plan without any state action.

In the meantime, conservative states have become more willing to create direct voucher programs, and they have made them available to families of all incomes, arguing government should support any school that a parent chooses. They typically also offer families money to pay expenses associated with home schooling.

In many states that keep track, most of the families receiving the subsidies were already sending their children to private schools. In some cases, private schools have raised their tuition, now that families have access to additional funding.

Under the proposed federal plan, families earning up to three times their area median income would qualify for vouchers. That’s more than \$450,000 per year in D.C., or more than \$270,000 in Morgantown, West Virginia.

This bill marks the second big push for this idea in Congress. In 2017, at the start of Trump's first term, a similar budget reconciliation bill was being negotiated. Betsy DeVos, the education secretary at the time, lobbied hard for the tax credit plan to be included, but it was left out.

At the time, some conservatives opposed it, including the influential Heritage Foundation, which argued that the tax credit would complicate the tax code, allow for future regulations on private schools, improperly broaden the federal role in education and require "massive new spending."

"A new federal tax-credit scholarship program would make private schools increasingly dependent on federal funds ... greatly expanding Washington's reach into K-12 education generally, and private school education, specifically," wrote Lindsey Burke, who directs education policy at Heritage.

But Burke changed her position. In Project 2025, the conservative blueprint for a new president, she wrote that Congress "should consider" a school choice tax credit.

Burke declined an interview request to discuss why she changed her view.

'Not normal tax policy'

The plan under consideration would be a first for federal policy. No other donations qualify for a 100 percent federal tax credit, tax experts say.

Under the plan, both individuals and corporations could qualify for the tax credit. For individuals, the credit applies for donations up to \$5,000 or 10 percent of adjusted gross income, whichever is higher. For corporations, it's up to 5 percent of taxable income.

"There is nothing like this at the federal level," said Carl Davis, research director at the Institute on Taxation and Economic Policy. "This is not normal tax policy."

For other charitable donations, a tax deduction functions as an incentive or a match — the government is paying part and the taxpayer is paying part. In this case, the government is paying all of it.

But Davis's bigger concern is with another element of the bill. Taxpayers would be allowed to claim a tax credit for donations of stock, as well as cash. When people donate stocks, they would not have to pay capital gains taxes on accumulated earnings. That means that taxpayers who donate stock to a scholarship granting organization would first avoid the capital gains tax and then receive the value of the stock back in the form of a tax credit.

For instance, imagine someone buys \$1,000 in stock and, five years later, wants to sell. The stock is now worth \$5,000. Normally, a sale would trigger capital gains taxes on the \$4,000 of earnings. But using this maneuver, a taxpayer could avoid those taxes by donating the stock to a scholarship organization, and then get the full value — \$5,000 — back as a tax credit.

A report his group plans to release next week calculates that a \$10 billion annual tax credit will cost the federal government \$134 billion over 10 years, including the lost revenue from capital gains taxes.

Davis predicted wealthy people with no particular interest in vouchers will be advised to donate stock to voucher programs to get the combined power of these two tax incentives.

“That is the quintessential definition of a tax shelter,” he said.

Dan Hungerman, an economics professor and expert on charitable giving at the University of Notre Dame, agreed that this would offer a powerful incentive not seen elsewhere in the tax code.

“You’re kind of double dipping,” he said, “avoiding the tax and getting a benefit for the donation.”