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BRIEFING GUIDE:

The Federal Tax Credit Voucher Program

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What You Need To Know About The New Federal Voucher Program

- The new federal tax credit voucher program will divert billions of dollars in federal revenue to private and religious K-12 schools.
- This program will not significantly support public schools. The Treasury Department has promised–but not released guidance on eligible expenses for public school families.
- The vast majority of students who receive vouchers already attend private and religious schools. This program is not targeted to lower-income families. In some areas, families with incomes over $400,000 annually will qualify.
- States have little authority to regulate the "scholarship granting organizations" (SGOs) that administer the voucher program and stand to profit from it.
- Vouchers send public funds to schools that discriminate. Vouchers do not improve academic outcomes. These programs are rife with fraud and abuse.
- States can choose whether to participate in this program. In fact, governors or other designated agencies must decide annually whether to allow federally funded vouchers in their states.
- **Governors have an opportunity right now to refuse to participate for the coming year.**
- **Newly elected governors should formally request that their predecessor not opt in, allowing new leadership to make the decision on a program that will impact their education agenda.**

Introduction

The first nation-wide, federally funded school voucher program was enacted in July of 2025 as part of President Trump's "One Big Beautiful Bill Act" also known as H.R. 1. The voucher program is now known as Internal Revenue Code Section 25F.

The program, set to begin in 2027, will divert billions of federal tax dollars into private, unaccountable organizations. It provides an unprecedented 100 percent tax credit to individuals who donate to Scholarship Granting Organizations (SGOs). The SGOs convert those donations into school vouchers, and the donor is fully reimbursed by the federal government when they pay their taxes.

States must choose whether to participate in this program. In fact, governors or other designated agencies must decide annually whether to allow federal vouchers in their states. Decisions are being made right now.

> "This nationwide voucher program has no student achievement metrics, no school accountability measures, no minimum or maximum scholarship size, no certain end date, and no cap on how much the federal government can spend…Republicans in Washington have given private voucher expansion carte blanche to run roughshod over public education in this country — and a blank check to do so at taxpayer expense, clearly without any regard for whether it actually does what is best for kids."
>
> *Wisconsin Governor Tony Evers*

On October 1, 2026, the Department of the Treasury released proposed regulations for the program. The regulations confirm that **governors will have no authority to guide how the program operates in their states.** Governors who agree to participate in the voucher scheme are prohibited from favoring SGOs that might fund public schools, or to lower the eligibility rate to target families and communities experiencing poverty. Nor can states regulate private schools that accept the vouchers, for example by prohibiting discrimination, or setting minimum standards for teacher certification.

At the same time, states will incur costs—potentially significant—for performing verification and other tasks necessary to administer the voucher program. This program amounts to an **unfunded mandate** for states that opt-in, pulling even more money away from classrooms and students.

Using public funds to subsidize private education is not new. A number of states fund school vouchers, including 18 states with programs that—like the federal program—offer tax credits to reimburse contributions to non-profit voucher-granting organizations. By looking at these programs, we can anticipate who will benefit and what challenges will arise as vouchers expand across the country.

The federal tax credit voucher program signals a massive shift in the federal approach to education towards a privatized, market-based system with few if any provisions to serve the most vulnerable students, ensure equity, rein in discrimination, or even track educational quality.

How It Works

- Under the program, individuals may "donate" up to $1,700 per year ($3,400 for couples filing jointly) to a "Scholarship Granting Organization" (SGO) and receive a ***full refund*** of that donation through a federal tax credit. This is three times the credit that taxpayers receive for a donation to a food bank, civil rights organization, local park, or any other charity.
- **SGOs are permitted to keep up to 10 percent** of the donations collected. For some national SGOs, this will amount to tens of millions of dollars.

- The largest **SGOs will be national in scope**, with several representing networks of faith-based schools. These entities *must* be permitted to distribute vouchers as long as they are "registered to do business" in a state, regardless of whether they have an actual presence there.
- There is **no spending cap** on this program. Estimates on the potential cost to the federal budget range from **$2.6 billion** to **$51 billion *annually***, which is more than the current federal dollars for students with disabilities (IDEA) and low-income students (Title 1) combined.
- Most of the vouchers will go to **families of children already attending private and religious schools** to subsidize their tuition payments.
- The program is being administered not by the Department of Education but by the Department of the Treasury and the Internal Revenue Service. There is **nothing in the statute or in the proposed regulations that addresses the educational impacts of this program on students**, or on our system of public schools. It will function as a tax program, not an educational one.

Opting In / Opting Out: Regulatory Procedures

Opting in to the program is a two-step process. First, the governor (or another authorized delegate) must file an "advance election to participate" form—indicating their intention to allow the program to operate in their state. Then, the governor must "perfect" (finalize) their opt-in by submitting to the U.S. Treasury a list of Scholarship Granting Organizations that have been verified by the state as meeting the **criteria laid out in the statute**. Again, *all SGOs that meet these criteria must be allowed to participate. The Governor has no ability to set additional criteria.*

- For 2027, governors must file their election form by January 1, 2027. In future years, the form may be filed at any time during the year preceding their enrollment.
- For 2027, governors must submit their list of approved SGOs (thereby "perfecting" their opt-in, by February 15th, 2027. In future years, the lists will be submitted during a window between October 1 and December 31 each year.

The proposed regulations released by the Treasury Department state clearly that states must complete both steps in order to participate in the program. The regulations are equally clear that, once a state has elected to participate and has submitted its list of vetted SGOs, they may not rescind that election.

These provisions hamstring newly elected governors, who may oppose participation in the federal voucher program—or who want to wait a year to monitor its impact and political future. A number of legal challenges to various provisions in the program, including these, are likely to be filed.

Special Interests Have Come Together to Enact This Program. The Public Opposes It

- School vouchers have been aggressively promoted for decades by libertarian interests, faith-based organizations, market-ideologues, and those who oppose public education altogether. These various interests include the Heritage Foundation(authors of the infamous **Project 2025)**, the A**merica First Policy Institute** whose founder, Linda McMahon is now Secretary of Education, and the **American Federation for Children**, founded by former Trump education secretary Betsy DeVos. The passage of the federal voucher program is the culmination of a years-long campaign to privatize education and allow public funding of religious schools.

Yet, opposition to school vouchers and support for the promise of universal access, free public schools for all children is strong and broad:

- Most Americans support fully funding public schools over vouchers. In fact, of the 17 times that **vouchers have appeared on the ballot**, voters have rejected them every time. Most recently, pro-voucher ballot measures in Colorado, Nebraska and Kentucky in 2024 were all defeated by wide margins.
- **Civil Rights Organizations:** "…the federal private school voucher scheme will create a two-tiered education system in your state: one that is public, serves all, guarantees students' civil rights, but loses resources under the private school voucher scheme; and one that is private, exclusionary, and hoards more resources for the wealthy few—both underwritten by the taxpayer." *(September 28, 2026, letter to governors, led by the NAACP Legal Defense Fund and signed by 14 additional national civil rights organizations)*.
- **Disability Advocates:** "Expansion of private choice programs may undermine access and gains for students with disabilities, including the right to be educated in general education classrooms, while undermining the public education system that educates the vast majority of students with disabilities." *(Statement of the Council of Parent Attorneys and Advocates in their report, **"Private School Choice Programs: Is There a Seat for Students with Disabilities?"**)*
- **Faith Leaders:** "Religious freedom protects every American by ensuring that the government cannot force any of us to pay for someone else's religious education…The responsibility for religious education belongs to families, houses of worship, and other religious institutions—we do not need or want the government to be involved." *(From a May 2025 letter to U.S. House of Representatives leadership from 60 faith community organizations, denominations, and congregations, representing more than 3.3 million people, and 260 faith leaders from across the United States)*.
- **Educators:** "This scheme is a poison pill for the 90 percent of American children who attend public schools. Instead of strengthening public education, President Trump is diverting $500 billion in taxpayer cash into private hands, with everyone else left fighting for scraps in a real-life Hunger Games." *(American Federation of Teachers president Randi Weingarten, October 1, 2026)*.
- Public school advocacy organizations: Over 75 **national** and 90 **state** public school advocacy organizations have endorsed the federal Keep Public Funds in Public Schools Act to repeal the federal tax credit voucher program. These groups and others, from dozens of states, have also **weighed in with their governors**, asking them to oppose the program. These groups are made up of parents, educators and community members who support public education and their local public schools, and work to improve public schools.

> "At this point, I simply cannot trust that any education policy coming from Trump's White House is in the best interest of Oregon's kids and our public education system."
>
> **Oregon Governor Tina Kotek**

Who Benefits?

The voucher program will be run by Scholarship Granting Organizations (SGOs). The availability of vouchers depends on the ability of SGOs to collect donations. The more donations an SGO can solicit the more vouchers they can give out and the more money they can keep. The SGOs with the greatest capacity to market themselves will distribute the largest number of vouchers in each state.

Based on the experience of states with existing tax-credit voucher programs, and the infrastructure currently in place to administer the new federal voucher program, it is safe to predict that **the vast majority of vouchers distributed through the federal tax credit voucher program will go towards subsidizing private and religious school tuition for students who are already in private school.** Those in more affluent communities, where the capacity to donate to the program is higher, will benefit most.

Arizona offers an example of what this looks like in practice. While the state's tax credit voucher program allows for both public and private school scholarship organizations, those offering grants to **private school students** raised $238 million in donations in 2024, while organizations supporting **public school students** raised $41 million. And the organizations raising the most money for public school students were in school districts with some of the **lowest poverty rates in the state**.

What About Public School Students and Schools?

The law states that any student eligible to attend a K-12 school may apply for a voucher. So technically, vouchers can go to families with children in public schools.

> "The federal voucher program does not support school choice; it's a private school subsidy wrapped in a tax shelter. It's not meant to help public schools, and it won't, unless they are willing to bend themselves into a twisted fun-house mirror version of what a public school system is meant to be."
>
> Peter Greene. "Curmudgication." June 4, 2026

There are two scenarios under which public school students could take advantage of this program. However, both scenarios highlight the fact that the program itself has been crafted to support the public funding of private schools, rather than public school students.

1 **Favoring the Private Market for Educational Services:** Every state constitution guarantees that every child has access to a free and adequate education through a system of public schools. While the laws vary by state, public schools are generally prohibited from charging for instruction. Efforts by public school districts to convert programming to a fee-based system (so they could accept vouchers) are likely to be quickly challenged in the courts.

Therefore, public school families would most likely use federally funded vouchers to pay for private tutoring, out-of-school services for students with special needs. Parents would be expected to "shop" for services that would, and should, be part of a system of public education. This will create another pathway to divert public dollars into private, corporate hands by utilizing private enterprises such as ClassWallet or Odyssey to do this 'shopping.'

It is critical to note that, as of this writing (November 9, 2026) the Treasury Department has promised but not released their guidance on eligible expenses under the federal voucher program. At this point, ***we do not know what types of costs or services public school students could use the vouchers to cover.*** This uncertainty is a significant warning sign for those interested in understanding how public school students might benefit from this program.

2 **Creating Public School-Facing SGOs:** Many advocates are trying to figure out how nonprofits that explicitly support public schools and districts might utilize the federal program. Public school foundations typically raise private funding to enhance the programming offered at a single school or within an entire district. The FTCS program requires that SGOs serve at least two schools. Further, the regulations require that SGOs spend "not less than 90 percent of the income of the organization on vouchers for eligible students. The 90-percent spending requirement will be measured against the organization's *total receipts* (emphasis added), unreduced by expenses." In other words, an existing public school foundation would be required to spend 90 percent of its total revenues on vouchers for individual children—a requirement that defeats the purpose and mission of most public school foundations.

Existing public school foundations will not realistically be able to participate in the federal tax credit voucher program unless they create a new 501(c)(3) arm "largely" focused on providing vouchers.

Even where public-school-facing SGOs exist or are created, the federal tax credit voucher program is unlikely to result in significant funding for public school students. The infrastructure necessary to solicit millions in contributions will be **expensive** and require months to construct. The largest SGOs are already far down this path. Experience in states with

existing tax credit programs, like Arizona, mentioned earlier, suggests not only that smaller, public school-facing SGOs are unlikely to be able to compete for donors with the national and faith-based SGOs, but also that those that are able to raise significant funds tend to be in more affluent communities. In the end, the additional support these SGOs are able to provide will likely only exacerbate disparities among districts and schools.

Finally, the federal tax credit voucher program will contribute to the undermining of public schools and districts. In Arizona, the voucher program has contributed to over 30 public schools closing since 2022, the majority of which served low-income students. Voucher programs take resources away from public schools, which will continue to serve our most vulnerable students, as voucher funds shift precious resources towards more affluent families.

Vouchers Aren't Good Policy

- **Vouchers Increase Segregation.** Vouchers originated in southern states to allow white families to avoid sending their children to integrated schools. Racial disparities continue to characterize voucher programs.
- **Private Schools Discriminate.** Private schools pick their students, by academic record, religion or adherence to a set of beliefs, or through tuition and fees that many families cannot afford. Research confirms that private schools enroll fewer students with disabilities. Many faith-based schools refuse admission to LGBTQ students, or even students with gay parents.
- **Federal Vouchers Will Add Billions to the Federal Deficit.** Voucher programs often start with spending caps or eligibility requirements. But inevitably, costs explode. In state after state, voucher costs have risen exponentially. There is no spending cap and few eligibility requirements under the federal voucher program. And bills to expand it have already been filed in Congress.
- **Vouchers Hurt Academic Outcomes.** Vouchers do NOT improve student academic outcomes. Children who leave public schools to attend a private school with a tuition subsidy (voucher) do not improve their academic outcomes.
- **Voucher Schools are Often Unaccredited and of Poor Quality.** Many imagine that vouchers give children access to elite private schools But only seven states require private schools to even be *accredited*. Some voucher schools seem to exist solely to take advantage of the public trough. Some researchers call these "pop-up" schools, and have found that most of these appear to close within four years of opening. Many of these schools fly under the radar of state regulators and may even be unsafe for children.
- **Vouchers Bring Fraud and Corruption.** State-funded voucher programs across the country have been plagued by waste, fraud, and abuse. A few examples show the breadth of this problem:
  - In **South Carolina**, fully one-third of all voucher recipients in the first year of the program were later found to be ineligible.
  - A 2023 investigation in **North Carolina** found that several private schools had defrauded the program, accepting more vouchers than they had students.
  - A newsletter from a travel agency specializing in tourism to Florida's Disney resorts boasted that 8,400 tickets to Disney theme parks had been purchased with state-funded vouchers.
  - In **Texas**, the private school industry was riddled with conflicts of interest, according to a 2025 *Texas Tribune* investigation.
  - In **Arkansas**, ProPublica uncovered a private school where students were regularly abused. The school's founder had no experience in education and eventually served jail time on felony child abuse counts.

- In October 2026, ProPublica's education reporters were able to "create" new private schools in several states, despite having no educational qualifications. They found few, if any hurdles to establishing new schools, and little in the way of investigation into their proposals (they intentionally provided the address of a local brewery as the location of one school).
- In **Arizona**, three DOE employees were charged with money laundering and conspiracy for distributing voucher funds to "Ghost Children"—fictitious children with forged documentation.

- **Vouchers Destabilize Public Schools.** School voucher programs destabilize state education systems. As voucher programs become more entrenched, school districts are forced to adjust enrollment, staffing and funding to accommodate a separate sector of publicly funded schools. But because of selective admissions policies and the lack of services in private schools, many students who receive a voucher will end up returning to their public district. The increase in transience not only has negative consequences for student academics, but it also costs public districts, making staffing and facilities plans unpredictable. Overall funding for districts drops as students leave. When costs cannot be reduced proportionally, services must be cut. School closures have increased as vouchers gain ground.

It is difficult to imagine that a federal program, regulated and administered by the Department of the Treasury, will be better equipped to provide even the level of oversight and monitoring that state programs have been able to conduct—oversight that has failed to stop the types of abuses and misuses cited here.

Recommendation

New governors would be wise to wait until 2028 or even later to see how this new, untested program rolls out, before agreeing to participate. The first several years are bound to be chaotic, and time will tell if the program is truly helping all students, or if it is instead undermining our public schools and funneling taxpayer dollars to private entities. **Say no** or wait. If an outgoing Governor has already opted your state into the program but has not "perfected" the application by submitting the list of SGOs, a newly elected Governor can **decline** to submit the list of SGOs by February 15th, 2027. If an outgoing Governor has already opted your state in and also "perfected" the application by submitting the list of SGOs, there may be legal, legislative or regulatory pathways to protect your state's residents from the waste, fraud, abuse, and depletion of the public school system that are inherent to this federal voucher program.

Additional Resources

The following organizations offer additional resources on vouchers and the federal voucher program:

The Alliance to Reclaim Our Schools

Education Law Center

The National Coalition for Public Education

The Network for Public Education

Public Funds for Public Schools

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