

Federal Tax Credit Legislation Introduced

Kate McGreevy
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Three states currently have tax credit programs that give children a broader range of school choice. If a federal bill currently pending in Congress passes, the entire nation could follow their lead.

The SCHOOL Act of 2005 (H.R. 2426), introduced last spring by Rep. Mark Green (R-WI) in an effort to legislate federal tax credits for donors to scholarship organizations, is progressing through Capitol Hill. At press time, the measure had eight cosponsors and was pending in the House Subcommittee on Education Reform.

The bill is modeled on tax credit laws enacted in Arizona, Florida, and Pennsylvania. The next step in its passage is a hearing on the tax credit model, which had not been scheduled at press time.

Given the successes of the voucher program in his home state of Wisconsin, Green believes the time is ripe for a national discussion about school choice.

"Over the last couple of years, we have had a few efforts nationally on behalf of school choice," Green said. "What I wanted was a broad step forward. From the results in Milwaukee, we know that school choice can have promising effects. This legislation is one way, one important vehicle, to advance the cause of school choice."

Credits, Scholarships Enhanced

If passed, the SCHOOL Act would provide individual taxpayers up to a \$3,000 tax credit (\$6,000 for married couples) for donations made to scholarship-granting organizations (SGOs). Corporations making donations would benefit from a tax credit of up to 5 percent of their regular tax liability or \$20,000, whichever is less.

Green said his bill's appeal to citizens and businesses alike will bring school choice to more families and students around the nation.

"The tax credit model is a good one," Green said. "It benefits the entire community: Lower-income families are provided with more schooling options, and businesses, struggling with a shortage of well-educated employees, will invest in educational improvement. Finally, private schools, many of which have seats available, will be able to open their doors to a broader range of students."

Under Green's measure, SGOs must be certified by the federal secretary of education, have nonprofit status, and designate at least 90 percent of their income for scholarships. Most importantly, they must distribute scholarships to low-income students at a ratio that mirrors the demographics of the county in which they distribute funds, with at least 30 percent of first-time recipients being new private school students. For example, if 50 percent of the school-age population of the county is designated as low-income, 50 percent of the scholarships awarded must be given to low-income students.

To be eligible, a student would have to reside in a household whose annual income does not exceed 2.5 times the free- and reduced-price lunch level.

Accountability Stressed

Green emphasized the level of accountability written into the law and also welcomed suggestions for improvement.

"The legislation is a broad outline, and the key is implementation, of course," Green said. "Accountability is incredibly important to both the school choice movement and to the legislation of tax law. Our hope is that the hearing will help us tweak the legislation to ensure its success."

Derided As 'Radical'

The SCHOOL Act has not met favor with the National Committee for Responsive Philanthropy (NCRP), a nonprofit group that monitors legislation affecting philanthropic practices and accountability.

"This bill creates a financial incentive for individuals and corporations to support controversial school voucher programs," said NCRP Communications Director Naomi Tacuyan. "This tax credit would further a radical privatization agenda and draw money away from public programs that benefit the neediest in society."

Tacuyan explained that NCRP's main opposition to H.R. 2426 is the "potential loss of funding for existing public programs."

Green says those concerns are unwarranted.

"This legislation does not take money from anywhere," Green noted. "It simply makes it more attractive for businesses and individuals to assist low-income children."

Kate McGreevy (mcgreevy@gmail.com) is a freelance education writer living in New Mexico. She formerly worked with the Cesar Chavez Public Charter Schools for Public Policy in Washington, D.C.

