PUBLIC FUNDS FOR PUBLIC SCHOOLS ACT

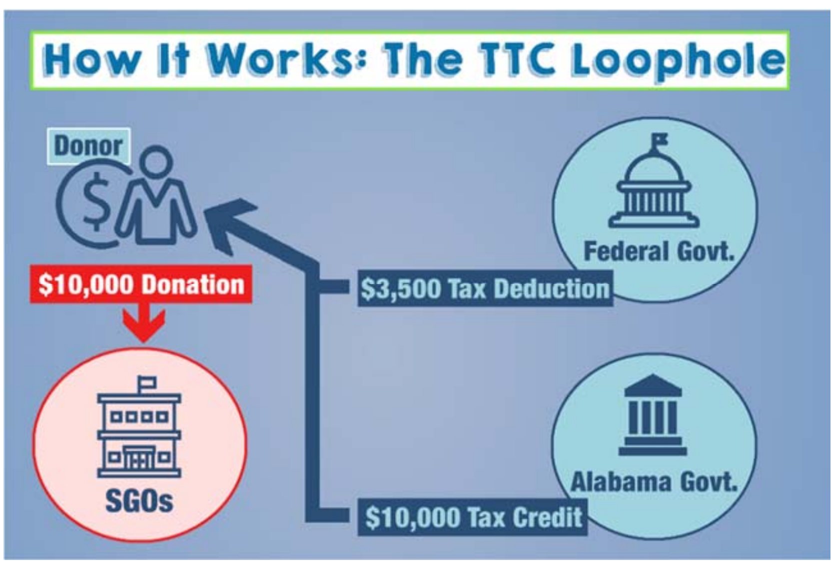
Each year, wealthy donors use Tuition Tax Credits (TTC) to divert over $1 billion in public funds to private, often unaccredited schools and into their own pockets. American taxpayers are bearing the cost.

>Overview

The Public Funds for Public Schools Act would close a tax loophole that allows wealthy donors to turn a profit on donations to private school voucher organizations, and would reinvest the saved funding into public schools. Each year, wealthy donors in 18 states across the country claim tax credits for donations that go to private, often unaccredited schools, **diverting over $1 billion** away from the public school system. At a time when federal resources for education are limited, we must ensure our tax code doesn't incentivize the diversion of federal dollars from public schools and allow the wealthy to benefit at the cost of everyone else.

Here's how it works: TTCs are offered to individuals or corporations in 18 states who contribute to Scholarship Granting Organizations (SGOs) or school voucher nonprofits. In seven of these states, the tax credit is dollar for dollar, so the wealthy individual gets back the full donation in a tax credit making it essentially free to donate.

In addition to receiving a full refund from their state, donors qualify for a federal tax deduction on the same donation, allowing many of them to turn a profit off of their contribution to the private school system. The IRS has sanctioned allowing individuals to claim a federal charitable deduction for donations to SGOs and school voucher nonprofits even when the donation is subsidized with a state tax credit as high as 100 percent.

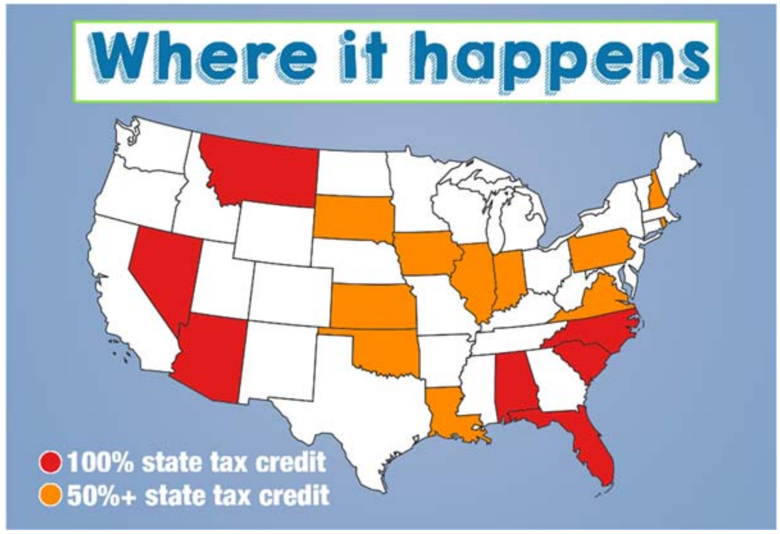


Worse yet, the American taxpayer bears the cost of this lucrative tax shelter and the American public is left with less funding for our public schools.

Where it happens: Tuition Tax Credits (TTCs) are offered to individuals or corporations in 18 states, including Alabama, Arizona, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Montana, Nevada, New Hampshire, Oklahoma, South Carolina, South Dakota, Rhode Island, Pennsylvania, and Virginia. TTCs range from 50 percent of the contribution in Indiana and Oklahoma to 100 percent of the total contribution in seven states – Alabama, Arizona, Florida, Georgia, Montana, Nevada, and South Carolina.

How the tax scheme affects public schools:
In addition to the lost revenue for public education, struggling public schools lose revenue from the departure of well-resourced students.

Thirty-five states provided less overall state funding per student in the 2014 school year than before the recession took hold in 2008. Rather than investing more in public schools, states with TTCs are paying the wealthy for providing funding for private schools.



Private schools that benefit:
Many of the private schools that receive voucher funds are religious, unaccredited, and/or unaccountable, with no set guidance on what must be taught to keep children on track for success. Some of these schools were founded after the Supreme Court's decision in *Brown vs. Board of Education* and lack racial diversity, even in towns and counties that are majority-minority.

While accepting public funds, private schools funded by SGO vouchers can also reject students based on language spoken, ability, or disciplinary history. Public schools are required to educate all students, regardless of background. In addition, public schools are required to disclose basic public information to parents such as graduation rates, advanced coursework opportunities, access to mental and physical health services, and more. Private schools are not subject to the same transparency and accountability as public schools.

The Public Funds for Public Schools Act:
Our bill eliminates the school voucher state tax credit loophole by limiting the double benefit on charitable deductions. The bill would reduce the amount of any charitable contribution on the wealthy individual's federal returns by any state school voucher tax benefit for the individual. In effect, it ensures that the charitable deduction is only available for genuine charitable gifts where donors have not already been reimbursed for their donation with state voucher tax credits. Passage of this bill would send a strong message to the children educated in our public schools that Congress is doing everything in its power to protect and strengthen their education.

If you have any questions or would like to be an original co-sponsor, contact Hillary Beard at Hillary.Beard@mail.house.gov or 202.225.2665.