

Parents as Curators of Their Children's Education: Opportunities & Implications of a New Federal Education Tax Credit

December 2, 2025



Panelists



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Charting a Broader Path:

Potential Risks and Opportunities in the OBBBA Education Tax Credit

CGLR Webinar | December 2, 2025

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OBBBA Education Tax Credit – What It Is

New, nonrefundable **tax credit** (beginning 2027) up to \$1700 per year for contributions to “scholarship granting organizations” (SGOs) that fund scholarships for “eligible students” to cover “qualified elementary and secondary education expenses”

Each state must elect to participate, likely through governor.

- **SGOs** are nonprofits that provide scholarships. *Must be listed by each participating state.*
- **Eligible student** means student from household with income “not greater than 300 percent of area median gross income.” *Initial estimates that >90% qualify. There is no limit on amount of each scholarship.*
- **“Qualified expenses”** include (1) tuition, fees, tutoring, special-need services, books, and other equipment in connection with enrollment at a *public, private, or religious school*; (2) room, board, transportation, and supplementary services (such as extended-day programs) required or provided by a school; and (3) computer technology, internet access, and other services used in connection with school. *[From Coverdell Accounts, under which states define “school” (though OBBBA is silent).]*

OBBBA Education Tax Credit – What It Could Become

OBBBA tax credit *could* become **largest federal investment in education**—though it will start far smaller.

Many open questions to be defined (at least initially) in the next 1-2 years.

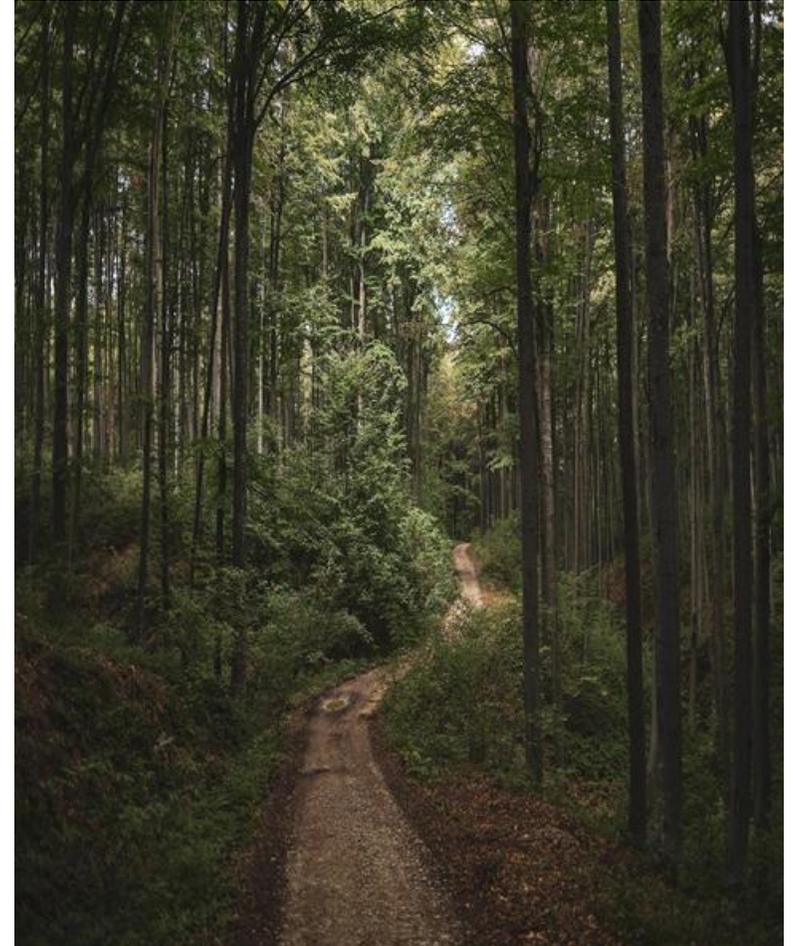
- Well over 100 million taxpayers pay net taxes.
- 100% participation could be nearly \$200B. Won't happen, but 25% would be nearly \$50B! (Consider that T1 is \$18B.)
- Some estimates start at \$3-5B, but this is not just about year 1!

Could build two possible kinds of pathways (in both “blue” and “red” states):

- **Narrow “voucher” pathway** (likely) – used most for tuition for private and religious schools (and not clear that states can establish requirements for SGOs/schools)

AND/OR

- **Broader “ecosystem” pathway** (possible) –to expand the range of services and learning opportunities available to all students, including public school students, and possibly expand the nature of “school”



OBBBA Education Tax Credit – What Is Needed

Examples of Key ?s:

- Can states choose only one pathway?
- Can states set conditions for SGOs/ schools, like nondiscrimination, standards, focus on high poverty, accountability
- What “qualified expenses” beyond tuition can be funded with scholarships?
- How must “schools” be at the center and can states define “school” for tax credit purposes?

Define Federal Program
(US Treasury, courts)

Build NFP Infrastructure
(SGOs, providers, campaign)

Inform State Policy
(regulations, incentives)

Examples of Key ?s:

- Who could serve as SGOs?
- Where is capacity for providers?
- How can we support narrative/marketing?

Examples of Key ?s:

- What is the state’s theory of action?
- What requirements would the state want for SGOs and schools?
- How should the state define “school” and requirements of public school programs?
- How could states support giving thru incentives or bridge funding?
- *Should states participate?*

US Department of Treasury Request for Comments

- On 11/25 (Happy Thanksgiving), US Treasury issued Request for Comments on OBBBA's Education Tax Credit regarding issues that should be addressed in early guidance [and in anticipation of proposed regulations]
- Specific requests for comments focus on issues impacting “SGOs,” but commenters may want to address all priority issues
- Comments are due to US Treasury by 12/26 (Merry Christmas)!

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