TAX-CREDIT EDUCATION SAVINGS ACCOUNTS

Across the country, school choice options are provided to students and families in a number of different ways. The laws and regulations governing school choice programs can vary dramatically from state to state. For more information, click on the QR code below, or go to hoover.org/schoolchoicemap.

TAX-CREDIT EDUCATION SAVINGS ACCOUNTS DEFINED

Representing a relatively new style of private school choice program, tax-credit education savings accounts are parent-managed accounts funded by nonprofit organizations. Taxpayers contributing to these organizations earn full or partial tax credits for their contributions. These can be thought of as a blend between traditional education savings accounts (ESAs) and tax-credit scholarships. As with ESAs, families may use those funds to pay for a variety of education-related expenses.

KEY VARIABLES

- With any education savings account, states have discretion in choosing which education and education-related expenses are eligible to be paid for using ESA dollars. Some states choose to include transportation and technology expenses in their eligible expenses, for example, while others do not.
- The reach of many private school choice programs that use tax credits tends to be limited by tax-credit caps written into the applicable state laws.
- Making education savings accounts work equally well for families who choose homeschooling versus a private school can be challenging, as many states have additional requirements for homeschooling families who choose to participate in ESAs.

POLICY IN PRACTICE: STATE HIGHLIGHT

Missouri is the only state in the nation with a tax-credit education savings account, which began in 2021. The program is administered by education assistance organizations, which collect donations from and issue tax credits to individuals or businesses, then distribute the donated funds to parents. Not all children in the state are eligible. Criteria include, for example, residence in cities with a population of 30,000 or more, current attendance at a public school in first grade or above, and either a means-tested or a documented need for special education services.

For more information click here: