

Education Tax Credits

Understanding Education Tax Credits

Education tax credits reduce the amount of state income tax owed by families who incur qualifying educational expenses. These expenses can include tuition, instructional materials, tutoring, and standardized test fees. Unlike deductions, which lower taxable income, credits directly decrease tax liability, offering more substantial financial relief.

Some states also offer tax-credit scholarship programs, where individuals or corporations receive tax credits for donations to scholarship-granting organizations (SGOs). These SGOs then provide scholarships to students for private school tuition. This model not only supports families but also encourages community investment in education.

State-Level Initiatives

Several states have enacted legislation to implement or expand education tax credit programs:

- **Oklahoma:** Enacted House Bill 1934 in 2023, creating the Oklahoma Parental Choice Tax Credit Act. This legislation offers refundable income tax credits to parents of students attending private schools or being homeschooled. The credit amounts vary based on income and educational expenses, aiming to alleviate the financial burden on families choosing alternative education paths.
- **Alabama:** Passed House Bill 129 in 2024, known as the CHOOSE Act. This law provides refundable income tax credits of up to \$7,000 for students enrolled in private schools and \$2,000 for homeschooled students. The program prioritizes families with incomes at or below 300% of the federal poverty level and plans to expand eligibility in subsequent years.
- **Texas:** Passed SB 2 in 2025, which establishes a \$1 billion Education Savings Account program. Under this law, parents can receive over \$10,000 annually for private school tuition and related expenses, or \$2,000 for homeschooling costs. While the program is universally available, higher-income families face limited availability due to funding caps.

Impact on Families and Education

Education tax credits can significantly reduce the financial barriers associated with non-public education. For homeschooling families, credits can offset costs for curricula, educational materials, and testing. Private school families benefit from assistance with tuition and related expenses.

These programs also aim to encourage educational innovation and customization, allowing parents to tailor learning experiences to their children's unique needs. By providing financial support, tax credits enable a more diverse range of families to consider alternative educational options, fostering a more inclusive educational landscape.

Considerations and Future Outlook

While education tax credits offer numerous benefits, they also prompt discussions about public school funding and educational equity. Critics argue that diverting funds to support private education may impact public school resources. However, proponents contend that empowering parental choice leads to better educational outcomes and increased satisfaction.

As more states explore and implement education tax credit programs, ongoing evaluation and dialogue are essential to balance the interests of all stakeholders and ensure that educational opportunities are accessible and equitable for every student.