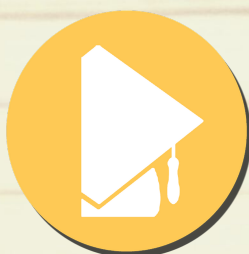

MYTH BUSTING TAX CREDITS IN THE EITC/OSTC TAX PROGRAM



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Myth busting the \$190 million private and religious school scholarship tax credits in the EITC/OSTC programs

Lots of \$\$\$ with no fiscal or academic performance accountability

The **Educational Improvement Tax Credit** (EITC) program allows businesses to receive a 75%-90% credit on their state income tax for contributions they make to any of the following three organizations: approved scholarship organizations that provide scholarships to students to attend private/religious schools, educational improvement organizations, and pre-k scholarship organizations.

The **Opportunity Scholarship Tax Credit** (OSTC) program grants a 75%-90% state tax credit to businesses that make contributions to approved scholarship organizations that provide scholarships to students who live in the attendance boundaries of a low-achieving school, as determined by the Pennsylvania Department of Education, to attend private/religious schools.

MYTH #1

The EITC/OSTC tax credit programs do not impact the state budget.

FACT #1

Because the EITC/OSTC programs divert tax dollars from the general fund budget and into private organizations, in 2018-2019 **the EITC/OSTC programs reduced funding available for PA's general fund budget by \$240 million with \$190 million being used for private/religious school vouchers.**

The actual breakdown of current funding goes like this...

- EITC scholarship organizations for private/religious schools: \$135 million
- Educational improvement organizations: \$37.5 million
- Pre-K scholarship organizations: \$12.5 million
- OSTC scholarship organizations for private/religious schools: \$55 million

MYTH #2

Businesses receive no benefit for the charitable "donations" they make to scholarship organizations through EITC/OSTC

FACT #2

Businesses that participate in the EITC/OSTC programs receive a 75%-90% credit on their state tax bills in return for their contributions to qualified organizations.

Additional "perks" for businesses...

Businesses can also take state and federal tax deductions for a "charitable" contribution, amounting to a "triple dip" tax reduction. Many businesses that participate in this program pay little. Some may even reap a tax benefit that is MORE than their contribution.

Source: Individuals, Not Corporations, Pick Up the Tax Tab for EITC Scholarships. Pennsylvania Budget and Policy Center. June 25, 2012.



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MYTH #3

The EITC/OSTC programs are designed to provide increased educational opportunities for children in poverty.

FACT #3

Scholarships may be awarded to children from families that make up to \$90,000 plus \$15,270 for each dependent member of the household—that is more than \$120,000 for a family of four.

But wait...there's more:

Beyond that, PA law explicitly prohibits the collection of data about the socio-economic characteristics of scholarship recipients and their families. As a result, there is no data that demonstrates whether or not significant numbers of students living in poverty receive EITC/OSTC scholarships.

State law explicitly prohibits the collection of information that would demonstrate whether or not the EITC/OSTC programs benefit children in poverty or help students in low-achieving schools attend higher achieving schools.

MYTH #4

The EITC/OSTC programs increase school choice for students.

FACT #4

Private/religious schools choose which students they will enroll and are not required to admit all students. Students only have increased school choice if a private school chooses to allow them to enroll.

Yes, you heard that right...

Private/religious schools that receive taxpayer funding through the EITC/OSTC programs may refuse to enroll students for many reasons including their religious affiliation, disability, and discipline or academic history.

MYTH #5

EITC/OSTC voucher programs are designed to benefit children who attend low-achieving schools by providing them with scholarships to private schools.

FACT #5

Scholarship organizations may use EITC/OSTC dollars to provide scholarships to students who are ALREADY attending private/religious schools.

When it's not enough to hope for the best...

There is no requirement in the law that EITC contributions be used to provide scholarships to students currently attending a low-achieving school. PA law explicitly prohibits the collection of data that would provide information demonstrating the number of students from low-achieving schools who receive tuition scholarships to attend a private school. As a result, it is impossible to know how many students have moved from low-achieving schools into private/religious schools as a result of these programs.

MYTH #6

The EITC/OSTC programs contribute to improved student achievement in Pennsylvania.

FACT #6

No data exists to demonstrate the positive or negative impact of the EITC/OSTC programs on student achievement.

Despite what you might think...

PA law explicitly prohibits the collection of any information about the academic progress of students who receive EITC/OSTC scholarships. In addition, students who receive these scholarships do not have to take standardized tests like their counterparts in public school districts and charter schools.



MYTH #7

All communities in PA benefit equally from the EITC/OSTC voucher programs.

FACT #7

Many communities throughout the Commonwealth receive very little or no benefit from this private/religious school scholarship program, yet every community is impacted by the loss of \$210million tax dollars from the state budget that flow into the EITC/OSTC programs.

Only PA's public schools are open to every child in and accountable to the taxpayers who fund them.

MYTH #8

PA law requires transparency and oversight over the \$240 million that flow through the EITC/OSTC scholarship programs each year.

FACT #8

The EITC/OSTC law was written to explicitly prohibit the collection of information about how EITC/OSTC dollars are spent and about the academic outcomes of students who receive private/religious school scholarships through these programs.

In addition...

Scholarship organizations are allowed to keep 20% of the funding they receive from businesses (\$42 million annually) and are not required to report how they spend it. For comparison, in Florida, which has a similar tax credit program, scholarship organizations are allowed to keep just 3% of the funding they receive.

