

Frequently Asked Questions about Pennsylvania's Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) Vouchers for Private and Religious Schools

Executive Summary

Pennsylvania has two programs that give public funds to private schools: the **Educational Improvement Tax Credit (EITC)** and the **Opportunity Scholarship Tax Credit (OSTC)** programs. In 2025-2026, the PA legislature authorized \$485 million in tax credits through the EITC and OSTC programs for private scholarship organizations, or “SOs,” which award tuition vouchers to families whose children attend private/religious schools.

Instead of paying their taxes to the commonwealth, individuals and businesses can direct their tax payments to an EITC or OSTC scholarship organization or a Special Purpose Entity (SPE), a pass-through entity that allows individuals with a Pennsylvania tax liability to participate in the EITC and OSTC programs. These individuals and businesses get to take credit for making “donations” to private/religious schools via the EITC and OSTC programs, even though they receive credit on their state taxes equal to 75% or 90% of their contribution, depending on the length of their commitment. And since such “philanthropic” contributions are likely to lower federal taxes for those that pay them, after getting both a state and federal tax break, some may not be making any net contribution at all, or even be “cash flow positive”.¹

When hundreds of millions of dollars are diverted from the PA Treasury to fund private schools each year, less money is available in the state budget to fund public schools, human services, environmental protections, and other programs that benefit our communities.

And all students in the state do not benefit equally from Pennsylvania’s voucher program—students in rural communities often lack access to private schools. Further, participating private/religious schools are allowed to, and do, discriminate against students and refuse to enroll them.

These programs are intentionally designed to operate with minimal transparency and accountability.

Scholarship organizations that receive diverted tax dollars are allowed to keep up to 10% of the total funding they receive. There is no legislative or public oversight over these tax dollars and there are no reporting requirements for how SOs spend these dollars, which could total up to \$68 million per year.

A prohibition in the law against collecting data about the socio-economic status of voucher recipients means no one knows how many children need a voucher to attend a private/religious school versus how many vouchers are given to families who could send their children to a private/religious school without one. State law also prohibits collecting information about the academic performance of students who receive vouchers.

These programs aren’t designed to direct funds to poor children. In Pennsylvania, the school voucher law sets the family income limit of roughly 500% of the federal poverty level, or \$156,911 for a family of four in the 2025-2026 school year. Because there are no public auditing powers associated with these programs, EITC/OSTC funds could support families whose incomes significantly exceed the limit. In addition, there is no

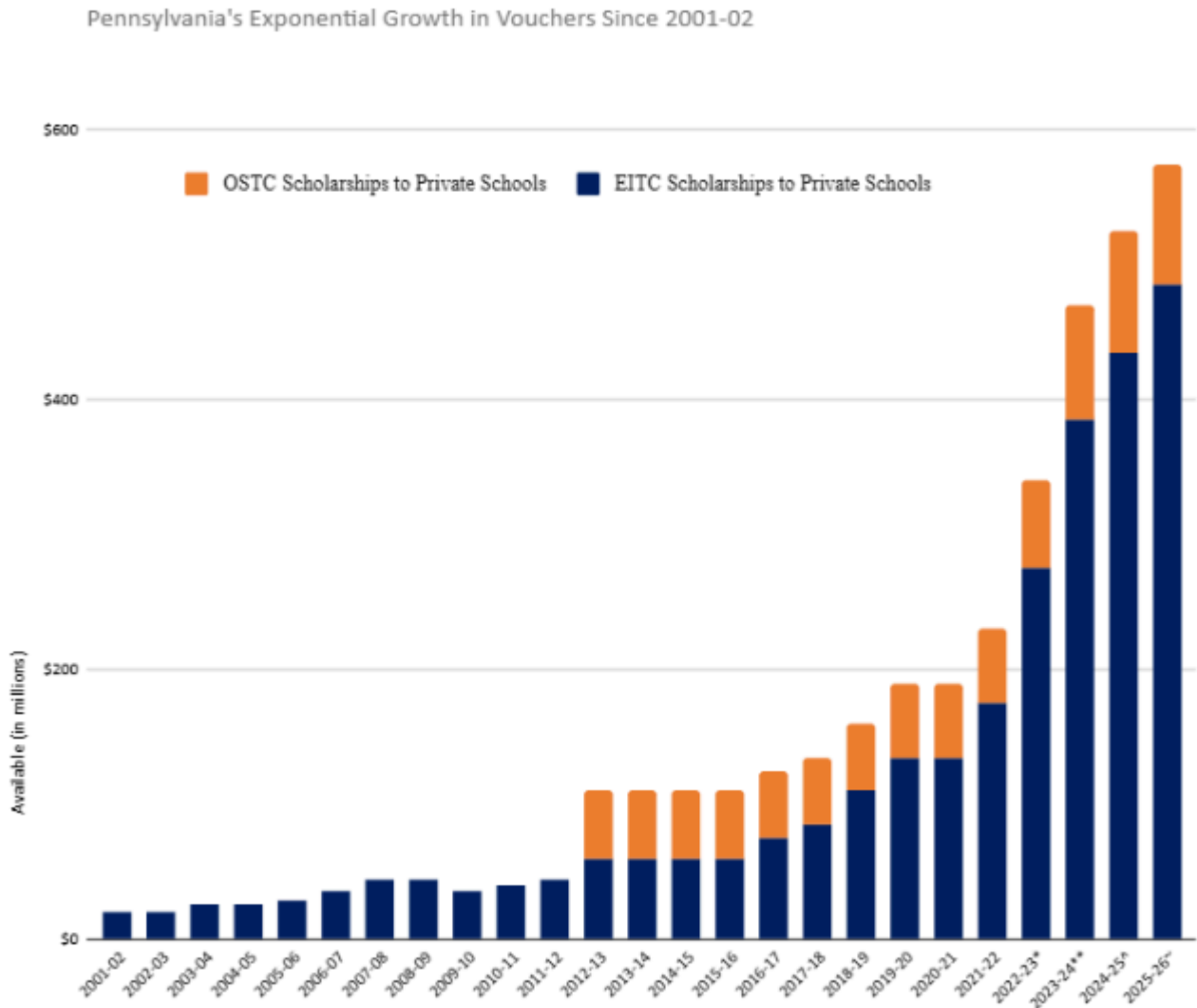
¹ Diana Polson, Rachel Tabachnik, and Stephen Herzenberg, “Pennsylvania’s Track Record on School Vouchers: Still No Accountability.” Keystone Research Center, April 16, 2024, 6.,

policing of “side deals”, under which wealthy families make contributions via EITC/OSTC in exchange for reduced tuition for their own children.²

Discrimination is a feature, not a bug, of the EITC/OSTC programs. Pennsylvania law allows private/religious schools that receive diverted tax dollars to discriminate against students for reasons including their sex, disabilities, sexual orientation, religious beliefs, socioeconomic status, and gender identity or expression.

The EITC/OSTC programs take money out of the state budget to serve a narrow set of special interests at the expense of everyone else.

Funding for K-12 private/religious school vouchers via the EITC/OSTC programs has increased more than 2775% over the past two decades, yet Pennsylvanians know virtually nothing about how \$3.5 billion in tax credits have been used, who has benefited from these programs, or the programs’ impact on student achievement.



² Polson, Tabachnik, and Herzenberg, “Pennsylvania’s Track Record on School Vouchers: Still No Accountability.” 6.

The Educational Tax Credit program in Act 4 of 2001 introduced taxpayer-funded school vouchers to Pennsylvania. This program, which originally received \$20 million in funding, has expanded to include the current Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs, which today receive a combined \$680³ million each year, including \$485 million for vouchers for K-12 private/religious schools.

The 2025-2026 state budget includes **\$680 million in tax credits** for EITC/OSTC programs.

- EITC scholarship organizations for private/religious schools: **\$485 million** (including \$110 million for scholarship increases for students attending “economically disadvantaged schools”)
- EITC funding for educational improvement organizations (EIOs): **\$74.5 million**
- EITC funding for pre-K scholarship organizations: **\$30.5 million**
- OSTC scholarship organizations for private/religious schools: **\$90 million**

This “frequently asked questions” document focuses only on the \$575 million in funding for EITC and OSTC programs that provide vouchers to students who attend private/religious schools.

How do the EITC and OSTC programs work?

The **Educational Improvement Tax Credit (EITC)** and **Opportunity Scholarship Tax Credit (OSTC)** are programs administered by the Pennsylvania Department of Community and Economic Development (DCED).

EITC and OSTC work by reducing taxes paid by individuals and businesses to the state when they contribute to scholarship organizations or special purpose entities that provide vouchers for children to attend a private or religious school.

EITC vouchers are available to all students who meet program requirements. OSTC vouchers are available to students who meet the program requirements and live within the attendance boundaries of a low-achieving school as determined by the Pennsylvania Department of Education.

Tax credits may be used to reduce Pennsylvania personal income taxes, corporate net income taxes, bank and trust company shares, title insurance shares, insurance premiums, mutual thrift institutions, malt beverage tax, and surplus lines taxes in the taxable year in which the credit is issued.⁴

Participants receive a 75% tax reduction for a one-year commitment to the program or a 90% reduction for a two-year commitment. Effectively, the state is funding 75% or 90% of the contribution, and the participant is funding 25% or 10% of the contribution—in fact, it could be even less in some circumstances because the contributions may also lower federal taxes.

In sum, individuals and businesses in Pennsylvania divert 75% or 90% of their tax dollars out of the Pennsylvania Treasury and into EITC/OSTC scholarship organizations to fund vouchers for private/religious school students, leaving less money available in the state budget to fund public schools, human services, environmental protections, and other programs that benefit our communities.

³ The Tax Compendium, March 2025, pp. 44-45

https://www.pa.gov/content/dam/copapwp-pagov/en/revenue/documents/news-and-statistics/reportsstats/taxcompendium/documents/2025_tax_compendium.pdf and PA Senate Bill 315 PN 1310 p. 106
<https://www.palegis.us/legislation/bills/text/PDF/2025/0/SB0315/PN1310>.

⁴ Independent Fiscal Office, “Educational Tax Credits: An Evaluation of Program Performance,” 6.

What are the requirements for scholarship organizations?

Organizations that wish to be included in the Department of Community and Economic Development list of Scholarship Organizations must be a 501(C)(3) nonprofit entity and contribute at least 90% of the EITC funding they receive to an approved scholarship program.

How much EITC/OSTC funding are scholarship organizations required to distribute as scholarships?

Scholarship organizations are required to distribute 90% of the funding they receive as scholarships. They are allowed to keep the rest – up to 10% of the contributions they receive, or up to a total of \$57.5 million each year.

Do scholarship organizations have to report how they spend the 10% of EITC/OSTC funding they are allowed to keep?

No. The only reporting requirement for scholarships is a 2-page document that includes information about the number of scholarships awarded, the total dollar amount awarded, the average scholarship amount, and the number of scholarships awarded to each county.⁵ There are also no guidelines for how these organizations should spend their 10% cut of funding.

Lax reporting standards and an absence of public auditing mean that there is no safeguard against the misuse of tax dollars by scholarship organizations that receive EITC/OSTC funding.

Are private/religious schools that receive EITC/OSTC voucher funding allowed to discriminate against students by refusing to enroll them?

Yes. Pennsylvania law allows private/religious schools that receive diverted tax dollars to discriminate against students for almost any reason, including their sex, disabilities, sexual orientation, religious beliefs, socioeconomic status, and gender identity or expression.

Are the EITC and OSTC programs designed to benefit poor students?

No. Families with a household income of \$116,055 plus \$20,428 for each dependent member of the household (\$156,911 for a family of four) are eligible to receive vouchers.⁶ This amount is roughly 500% of the federal poverty level for a family of four.

Programs are not required to report on family incomes.

How many low-income students receive EITC/OSTC vouchers?

No one knows. State law prohibits the collection of this information.

⁵ Pennsylvania Dept. of Community and Economic Development, “Educational Improvement Tax Credit Program: Organization Guidelines and Application for Scholarship and Educational Improvement Organizations,” Commonwealth of Pennsylvania, October 2021, <https://dced.pa.gov/download/eitc-organization-guidelines/?wpdmdl=84187> Appendix V.

⁶ Pennsylvania Dept. of Community and Economic Development, <https://dced.pa.gov/programs/educational-improvement-tax-credit-program-eitc/>

A 2019 analysis of 151 schools that administer their own tax credit scholarship programs showed 57 schools reported enrolling no low-income students at all. Another 15 schools reported fewer than 5% low-income enrollment.⁷

Do elite private schools benefit from the EITC/OSTC programs?

Yes. Scholarship organizations at just 25 of the most exclusive – and most expensive (average high school tuition of \$46,131) – Pennsylvania private schools received more than \$21 million in EITC and OSTC tax credits in 2024-2025.

Many of these schools receive substantial additional EITC/OSTC funding from Special Purpose Entities (SPEs), whose sole purpose is to obtain Pennsylvania Education Improvement Tax Credits (EITC/OSTC). SPEs make the application to the commonwealth on behalf of their members to enable an individual's or business's Pennsylvania tax liability to flow through it for the purpose of participating in the EITC/OSTC program. (Appendix 1)

While Pennsylvania's public schools remain unconstitutionally underfunded by \$3.8 billion at the time this report was published in April of 2026, the EITC/OSTC programs continue to lavish tens of millions of dollars every year in tax credit vouchers on the most elite private schools in the commonwealth.

We know nothing about the socio-economic characteristics of the voucher students at any of these schools.

Are there safeguards in place to prevent scholarship organizations from giving EITC/OSTC vouchers to students whose family income exceeds program limits?

No. Because there are no public auditing powers associated with these programs, EITC/OSTC funds could support families whose incomes significantly exceed the limit. In addition, there is also no way to police potential side deals, under which wealthy families make contributions via the EITC/OSTC in exchange for reduced tuition for their own children.⁸

Are students who are already attending a private school eligible for EITC/OSTC vouchers?

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

And because of the high income limit, families who have already enrolled their children in a private/religious school and can afford to pay tuition bills without taxpayer assistance are beneficiaries of this program.

⁷ Avi Wolfman-Arent, "'Trapped' on the Main Line: Expensive private schools benefit from Pa. tax credits but report zero low-income students," WHY, June 26, 2019, <https://why.org/articles/trapped-on-the-main-line-expensive-private-schools-that-benefit-from-pa-tax-credits-report-zero-low-income-students/>.

⁸ Polson, Tabachnik, and Herzenberg, "Pennsylvania's Track Record on School Vouchers: Still No Accountability." 2. 22.

How many students use EITC/OSTC vouchers to leave low-achieving school districts to attend private schools?

No one knows. Pennsylvania 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.

What do we know about EITC/OSTC voucher recipients?

Very little.

State law explicitly prohibits the Department of Community and Economic Development (DCED) from collecting information that is not explicitly enumerated in the statute, including:⁹

- The number of scholarship awards by household income.
- The share of tuition offset by the school voucher.
- Whether students who do not receive a voucher attend a private school anyway.

Modest additional reporting will be required beginning in the 2025-2026 school year to include:

- The grade level of the recipient (K-8) or (9-12).
- Whether a scholarship recipient was an eligible student with a disability.
- Dollar amount of each individual scholarship award.
- Name of each scholarship recipient's school district of residence.
- Name of the school that each recipient attended.

What do we know about educational outcomes for students who receive EITC/OSTC vouchers?

Nothing. The current law prohibits the collection of data regarding student academic achievement before and after transfer to a private school.

How many students are unable to attend a private school because there is not enough funding in the EITC/OSTC programs?

No one knows. It is unclear how many EITC/OSTC recipients actually need a voucher to attend a private/religious school.¹⁰

A report from the Independent Fiscal Office (IFO) states, "Data are not available that would allow the analysis to quantify students denied scholarships solely due to lack of funds available through the tax credit program. **Therefore, the difference between the number of applications processed and number of scholarships awarded should not be used as a proxy for scholarships denied due to lack of contributions supplied through the tax credit.** Moreover, some students denied scholarships likely attended a private school regardless of the denied scholarship application."¹¹

⁹ Independent Fiscal Office, "Educational Tax Credits: An Evaluation of Program Performance," 30.

¹⁰ Ibid, 1.

¹¹ Ibid, 16.

The IFO report cites the following circumstances that make it impossible to quantify the number of students who are unable to attend a private/religious school because there is not adequate EITC/OSTC funding:

- The same family can file multiple applications with different schools.
- A family may file but ultimately decide to send their child to another school.
- A student may be denied admission to the school.
- A student may be denied a scholarship due to not meeting program criteria.
- A student could be denied a scholarship because of inadequate program funding.

Is EITC/OSTC voucher funding distributed evenly among communities throughout the commonwealth?

No. Scholarship organizations in a small number of counties receive most of the funding.

In 2019-2020, scholarship organizations in six counties—Philadelphia, Allegheny, Dauphin, Montgomery, Blair, and Lancaster—received 70% of EITC funding. In the same year, scholarship organizations in Delaware, Philadelphia, Blair, Allegheny, Montgomery, and Chester Counties received 87% of OSTC funding.¹²

Conclusion

Funding for K-12 private/religious school vouchers via the EITC/OSTC programs has increased more than 2775% over the past two decades, yet Pennsylvanians know virtually nothing about how \$3.5 billion in tax credits have been used, who has benefited from these programs, or the programs' impact on student achievement.

It is a reasonable expectation that state lawmakers would reform the law to require the collection of information that would allow for an assessment of the effectiveness of the EITC/OSTC programs before allocating any additional funding to the programs.

It is also reasonable to expect our state government to have a clear understanding of who benefits from the current state tax credit voucher programs and how these dollars are spent before opting into a federal tax credit voucher program that would funnel millions of additional public dollars to scholarship organizations and private/religious schools with virtually no accountability or transparency.

¹² Ibid, 12.