



December 24, 2025

**Electronic Submission**

Edward Waters  
Office of the Associate Chief Counsel  
Internal Revenue Service  
U.S. Department of the Treasury  
1111 Constitution Avenue, NW  
Washington, D.C. 20224

**Re: Request for Comments on Individual Tax Credit for Qualified Contributions to Scholarship Granting Organizations, Notice 2025-70**

Dear Mr. Waters:

The Center for American Progress, an independent, nonpartisan policy institute, is dedicated to developing policies that equip all students with the skills necessary to succeed. Based on our work and extensive research, it is clear that voucher programs, including tax credit programs such as the one created in § 25F of the Internal Revenue Code (Code) as added by § 70411 of Public Law 119-21, 139 Stat. 72, commonly known as the One Big Beautiful Bill Act (OBBBA), pose a significant threat to public education, which serves the vast majority of students across the country. Without proper guardrails and thoughtful implementation, this new tax credit established under the OBBBA would negatively affect equal student access to compulsory education.

CAP analysis has consistently found that voucher programs - including tax credit programs such as the one created in § 25F of the Internal Revenue Code - harm public schools while disproportionately benefiting the wealthy.<sup>1</sup> Tax credit programs in particular reduce the income tax liability of individuals or businesses who donate to nonprofit organizations that provide scholarships for private schools.<sup>2</sup> These programs have been consistently found to disproportionately benefit the wealthy as they provide tax credits to wealthy donors while the majority of scholarships are granted to students from high-income families who have never

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<sup>1</sup> Center for American Progress, “Defending Public Education as a Public Good,” available at <https://www.americanprogress.org/series/defending-public-education-as-a-public-good/> (December 24, 2025).

<sup>2</sup> Weadé James and Tania Otero Martinez, “Introducing a Framework for Private School Voucher Accountability,” Center for American Progress, April 8, 2025 available at, <https://www.americanprogress.org/article/introducing-a-framework-for-private-school-voucher-accountability/>.



attended public school.<sup>3</sup> It is common for voucher programs to impact overall funding for public education as money is shifted away from public education budgets to cover the high costs of these programs, reducing the resources public school students have access to.<sup>4</sup> Ultimately, this impact disproportionately harms rural students and communities as well, as they often do not have access to private schools within proximity of where they live yet still feel the negative impacts as state budgets shrink and limit funding for rural public schools budgets, resulting in the closure of educational programs and schools.<sup>5</sup> Given this evidence, there is mounting concern that the tax credit program established under the OBBBA will directly harm public education and increase fraud and abuse of taxpayer dollars without proper guardrails.

To minimize waste, fraud, and abuse, Treasury's regulations must ensure transparency and accountability, while prioritizing public benefits for the vast majority of students. This comment details implementation recommendations related to Notice 2025-70 to do so.

## 1. SGO Certification, Oversight, and Compliance

While the current statute grants states discretion in regulating SGOs, the Treasury should develop robust national guidelines to standardize how states develop policies for initial and annual SGO certifications.

- **Certification Standards:** Guidelines should define minimum requirements for initial certifications and annual recertification. The Treasury should recommend heightened scrutiny for new SGOs compared to those with a proven track record of managing donations and administering student scholarships.
- **Data and Oversight:** The Treasury should also require states to implement recordkeeping procedures that mandate SGOs report on applications received, scholarships awarded, and eligibility determinations. This data should be submitted annually to both a state oversight or compliance office and the state legislature.

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<sup>3</sup> National Coalition for Public Education, "Most Voucher Recipients Are Wealthy Families Who Never Attended Public Schools," available at <https://www.ncpecoalition.org/voucher-recipients> (December 24, 2025).

<sup>4</sup> Center on Budget and Policy Priorities, "Arizona Faces Sweeping Budget Cuts, Driven by Flat Tax and Private School Vouchers," July 2, 2024, available at <https://www.cbpp.org/blog/arizona-faces-sweeping-budget-cuts-driven-by-flat-tax-and-private-school-vouchers>; Erin Glynn and others, "Ohio schools, parents concerned as lawmakers debate voucher and public school funding," *The Columbus Dispatch*, April 13, 2025, available at <https://www.dispatch.com/story/news/education/2025/04/13/ohio-voucher-cost-increases-as-lawmakers-debate-public-school-funding/78212954007/>.

<sup>5</sup> Paige Shoemaker DeMio, "How the School Choice Agenda Harms Rural Students," Center for American Progress, May 15, 2025, available at <https://www.americanprogress.org/article/how-the-school-choice-agenda-harms-rural-students/>.



- Compliance Verification: SGO recordkeeping must align with federal and state standards, including IRS-consistent document retention periods. State oversight offices should perform annual audits to verify student eligibility. This verification should be based on IRS tax records confirming that eligible students' household income does not exceed 300% of the area median gross income. Annual compliance reviews will also ensure that SGOs are abiding by established processes, state laws and regulations.
- Exclusionary Criteria: To ensure integrity, the following entities should be ineligible for SGO status:
  - a. Organizations whose primary mission is not K-12 education.
  - b. Education groups that operate private schools within an individual state or across a multi-state network.
  - c. Organizations with direct ties to donors contributing to scholarship funds.
  - d. Organizations that do not operate exclusively in the state where they solicit donations.
  - e. Organizations failing to comply with state and federal anti-discrimination and civil rights laws.

### ***Required Annual Reporting Metrics***

To maintain certification, SGOs should maintain a public data dashboard and be required to report on the following metrics:

- Financial and Academic Need
  - Evidence that priority is given to students with the greatest need, including those whose household income does not meet 300% of the area's median gross income, students with disabilities, students attending Title I or rural schools; and students performing "*Below Proficient*" standards on statewide assessments.
- Awards and Demographics
  - Data on scholarships awarded by zip code, applicant demographics and the composition of scholarship review committees.
- Financial Audit
  - Annual financial audits in accordance with state and federal laws, including financial records illustrating adherence to 10% administrative expenses cap and 90% of tax-credited contributions going directly to student scholarships.
- Dispute Resolution
  - Formal procedures for applicants or schools to challenge scholarship rejections, with annual reporting on dispute resolution outcomes.



- Stakeholder Satisfaction
  - Annual survey data from scholarship recipients, families, donors, and participating schools.
- Student Outcomes
  - Academic achievement data for scholarship recipients, including reading and math performance and performance on other state-identified metrics. SGOs failing to show improved academic outcomes or maintaining low satisfaction ratings from stakeholders should not be considered for recertification by the state.

## 2. Operations and Management of SGOs

To ensure that scholarship contributions support the intended local communities, the Treasury should implement the following management “guardrails:”

- State-centric Operations: Treasury should discourage multi-state SGOs to ensure that donation contributions are used responsibly and in the areas that they’re intended to support. SGOs should be required to solicit donations and award scholarships only within the state where they are physically located. Importantly, SGOs should be led and staffed by local residents and community members of that state to increase community involvement and visibility.
- Independent Scholarship Review Committees: Each SGO should establish a scholarship review committee composed of local educators, parents, and community members to ensure impartial, need-based decision-making.
- Prohibition of “Scholarship Stacking:” SGOs should be prevented from awarding scholarships to students who are current recipients of other state voucher and scholarship programs to avoid “stacking” and to prevent a percentage of students from monopolizing resources that would exclude their peers with equal or greater needs.
- Diversification of School Networks: SGOs must be prohibited from awarding funds exclusively to schools within a single education network, including schools with similar management organizations and affiliations. SGOs must demonstrate a diverse distribution of awards across various schools and networks.



### 3. Maximizing Impact for Public School Students

The majority of K-12 students in the U.S. (83%) rely on public education.<sup>6</sup> As funding for public education becomes more limited due to tighter state budgets, the Treasury must ensure these credits do not exclusively benefit private institutions.

- Inclusion of Public Education Foundations: Treasury should mandate that public education foundations, the primary entities responsible for generating private support for local school districts, are eligible for recognition as SGOs. These foundations should be able to use funds to support new initiatives to boost student academic achievement within public schools.
- Defined Uses for Public School Students: Treasury should explicitly mandate that SGOs award scholarships to students enrolled in public schools and define acceptable uses for these funds by producing a list of qualified K-12 expenses, including technology, afterschool programs, and summer academic enrichment.
- Equal Opportunity Mandate: To prevent the disproportionate prioritization of private education, states should require SGOs to commit to distributing at least 50% of scholarships to students enrolled in public schools as a condition of certification.

The Center for American Progress respectfully submits these comments for consideration for the Treasury Department and IRS' guidance and proposed regulations to implement a new Individual Tax Credit for Qualified Contributions to Scholarship Granting Organizations (Notice 2025-70). If you have any questions regarding these comments, please contact Weadé James at [wjames@americanprogress.org](mailto:wjames@americanprogress.org).

**Sincerely,**

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<sup>6</sup> Katherine Schaeffer, "U.S. public, private and charter schools in 5 charts," Pew Research Center, June 6, 2024, available at <https://www.pewresearch.org/short-reads/2024/06/06/us-public-private-and-charter-schools-in-5-charts/>.



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