

# The New Federal Voucher Program

## Considerations for Policymakers

FEBRUARY 2026

On July 4, 2025, President Trump signed the 2025 reconciliation bill, known as the [One Big Beautiful Bill Act \(OBBBA\)](#), into law. Among other things, it creates a K-12 federal tax credit school voucher program. Beginning in 2027, individuals can get an unprecedented dollar-for-dollar federal tax credit — up to \$1,700 per taxpayer per year — for donations made to private, nonprofit “scholarship granting organizations” (SGOs). The SGOs act as bundlers, accepting the donations and then handing out vouchers — thereby creating a public subsidy that will primarily benefit students attending K-12 private schools..

Under the provisions of the new law:

- States are not obligated to participate in this new voucher program. The statute directs that governors, or “such other individual, agency, or entity as is designated under State law” must elect to participate in the program. This election must occur annually.
- Taxpayers in all states and the District of Columbia are eligible for the tax credit. Beginning in January 2027, taxpayers may make donations to approved SGOs (in any state) and may file for the federal credit when they file their taxes in 2028.
- Scholarship granting organizations collect these contributions and then issue vouchers, which may be used to offset tuition and costs at private and religious schools, or, in the case of public school students, to pay for outside tutoring, special education services or other services and supports allowed under the existing [Coverdell Education Savings Account](#) program.
- The program does not target needy families: any family with children eligible to attend K-12 schools, with earnings up to 300% of the Area Gross Median Income (AGMI) qualifies for a voucher. In some areas, families making as much as \$500,000 annually could qualify for a voucher.

The U.S. Department of Treasury, including the Internal Revenue Service (IRS), is developing regulations for this new federal voucher program. Full regulations are not expected until spring or summer of 2026. However, in late 2025, the department issued a [“Request for Comments” \(RFC\)](#) on the specific issue of the qualifications of, and process for, selecting SGOs to participate in the program. This RFC, along with several meetings held with Treasury staffers charged with writing the regulations, offer the first look at how Treasury is viewing its role and what the regulations may say.

## Fundamental Questions About the Program Remain Unanswered

Pro-voucher organizations are pressuring governors across the U.S. to opt into the program. They want these governors to announce that they will participate in the federal voucher program even though regulations have not been written and, therefore, critical questions have yet to be addressed. For example:

- Will governors have the flexibility to use this federal voucher program to support the most vulnerable students and schools in their state?

- Who will receive — and control — the voucher funds? Will families be issued a debit card and then use that card to pay for tuition or services? Or will the funding go directly from the SGO to private schools or other service providers?
- Will the program participants — including both the SGOs and the schools and businesses receiving federal funds — be sufficiently monitored to protect against fraud, misuse or waste of federal taxpayer donations?
- Will the program be designed to improve academic outcomes and educational opportunities for the state's neediest children? How will its success be measured?
- Will students who participate in the program — particularly those using the vouchers to attend private or religious schools — be protected from discrimination and receive the services necessary to succeed in school?
- Will the state and the public have access to data and reporting on the program so that they can evaluate its success?

This brief provides a framework for examining and evaluating states' participation in the federal tax credit voucher program.

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## States May Not Have the Flexibility to Shape This Program

Every state constitution requires that the state maintain a system of public schools that offer guaranteed and cost-free access for all students.

During the Congressional debate on this program, many supporters lauded the “flexibility” that governors would have to shape it according to the state’s educational landscape, needs, and goals.

The final statute does not address how this program will be administered, but appears to place significant, if not complete, authority in the hands of privately run SGOs. These SGOs are charged with soliciting and collecting contributions and then bundling them into vouchers and distributing them according to their own mission and guidelines.

Many, if not most, SGOs currently operating in the country (some states already have state-run tax credit voucher programs) provide vouchers exclusively to private or religious schools. [Reficio](#), for example, is an SGO dedicated to supporting Catholic schools through state, and now the federal, voucher programs. Other SGOs bundle vouchers exclusively for Jewish or Christian schools. Nationally, the vast majority of vouchers (over 90% in some states) are used to subsidize religious school tuition.

It is critical, then, that governors who support public education and are interested in utilizing the program to increase educational opportunities for public school students, have the flexibility to shape the program in their states through their selection and regulation of SGOs and voucher-receiving entities.

The Request for Comments from the Department of Treasury and IRS provides an early indication that such flexibility may not be permitted:

“The Treasury Department and the IRS anticipate that the forthcoming proposed regulations would provide, consistent with §25F(g)(1)(A), that the State list must include all organizations located in the State that have requested to be designated as an SGO and that meet the §25F(c)(5) statutory requirements.” [p. 8]

Follow-up meetings with representatives from Treasury reinforce indications that governors will be required to allow *all* registered SGOs in the state, regardless of their mission or affiliation, to collect donations and distribute

vouchers. Further, Treasury has indicated that they will not permit states to regulate SGOs beyond the requirements listed in the statute.

## The Real Cost of the Program to States is Not Yet Understood

While some are promoting this program by arguing that it's "free money" for state education, it is not: For every dollar contributed to an SGO, the federal budget loses a dollar that would otherwise be paid in taxes. The voucher program is unique in this feature. As stated by the [Institute for Taxation and Economic Policy \(ITEP\)](#), "[t]here is no other cause — not children's hospitals, veterans' groups, or disaster relief — that taxpayers can contribute to and see the entire cost of their contribution bankrolled by the federal government."

Because there is no spending cap on this program, ITEP speculates that the voucher program could divert between \$25 billion and \$51 billion annually from the federal budget and be used to justify further cuts to critical federal education programs. These vouchers could end up costing more than Title I and IDEA (Individuals with Disabilities Education Act) combined, both of which provide targeted federal support for especially vulnerable students.

With billions in federal education spending diverted to vouchers, a majority of which subsidize more affluent families whose children already attend private schools, states will likely need to compensate for the loss of support to public schools — which continue to serve the most vulnerable children.

In addition to compensating for losses in other federal education spending and so-called "stranded costs" incurred when students leave public schools, states may incur additional costs — from monitoring SGOs to tracking students as they move in and out of private schools, to analyzing the impact of the program on the state's academic goals.

Finally, supporters of this voucher program are encouraging Treasury to promise that, once students have received a voucher, they will continue to have their private school tuition subsidized through high school graduation. If Treasury agrees, the program will grow exponentially, seemingly regardless of whether donations to SGOs keep pace. If a ceiling on donations is reached, or a new administration (state or federal) backs away from this program, who will pick up the tab for the families that have been promised an ongoing tuition subsidy?

## Responsibility for Program Transparency and Accountability is Unclear

Until now, the decision to offer public funding for private school vouchers has been made, and the rules set, by state elected officials. The federal voucher program will be administered not as an education program but as a tax program overseen by the Department of Treasury and the IRS. These agencies have no expertise or background in education policy and have so far indicated that they do not consider tracking academic or educational goals to be within their purview.

In addition, state voucher programs have been tarnished by examples of fraud, waste and abuse, which have come to light through state audits, investigations, and careful oversight of SGOs, participating schools, and voucher recipients.

Under the federal program, it is unclear what, if any, role state governments will have in ensuring both transparency and accountability for the operations of SGOs and the use of federally funded vouchers. One supporter of the program, the America First Policy Institute, in [responding to the department's RFC](#), suggests that SGOs should not be required to submit reports to the states in which they operate:

“It is appropriate that states offering state-level tax credits require SGO reporting to state-level authorities. However, AFPI recommends SGOs receiving qualified contributions that are eligible for a federal tax credit under §25F should provide assurances and statutorily required data to federal agencies only, such as the IRS.”

Were this recommendation reflected in regulations, states would not only have little oversight authority on the spending of potentially hundreds of millions of dollars within the state but might not even have access to the information and data needed to analyze the academic or fiscal impact of the program.

## The Public is Not Demanding Vouchers

Vouchers have proven unpopular with the public. In 17 voucher-related ballot measures between 1970 and 2024, all have resulted in votes against vouchers. As recently as 2024, voters rejected voucher-related ballot measures in Nebraska, Colorado, and Kentucky. Time and again, polling has shown that people would rather see their public schools fully supported and generously funded than see taxpayer dollars diverted to private schools.

## States Are Not Obligated to Decide Now

States are not obligated to opt-in to the federal voucher program and should not do so *at least* until the final regulations are available and thoroughly understood.

Governors have the obligation to choose — *annually* — whether to participate in this program. They may choose to hold off on participation, not only until the final regulations are in place, but until the program has a track record on academic opportunity and achievement, fiscal sustainability and accountability.

## Conclusions: Questions Policymakers Must Consider

Governors and legislators should determine whether the federal voucher program will support or harm the state’s constitutional commitment to providing all children with an education, as well as each individual state’s unique educational needs and goals.

Among the questions policymakers should consider:

- Does allowing private organizations to access federal funding and distribute vouchers to private schools or businesses help a state fulfill its own goals and guidelines?
- Will the rules allow the states sufficient flexibility in shaping the program?
- Does the program offer real “school choice” or “educational freedom” to families across the state? What is the impact on communities without access to private schools? To what extent do private school selective admissions policies and financial obligations erect barriers to participation?
- Will participating private and religious schools and supplemental service providers be required to have a proven track record of delivering academic progress for students?
- How will the state ensure the appropriate use of federal taxpayer dollars if they are prohibited from selecting organizations to manage the program, or even from requiring systematic reporting from them?
- Who will be in charge of oversight of the program, including over the SGOs?

- Who is most likely to benefit from this program in your state?
- How is this program likely to impact existing voucher programs (if there are any) in your state?
- How is this program likely to impact the state’s constitutionally mandated public education system?
- What is the full impact on the state’s budget—now and into the future?
- What is the timeline to participate — is there any harm in waiting to decide?

The option of participating or not in the federal tax credit voucher program allows states to hold off and answer these questions before agreeing to participate. States would be well served to wait for the regulations to be issued; consider how or if the program fits into the state’s vision for education; and, finally, watch and learn from the experiences of states that have opted in.

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## Resources

Each of these documents and resource sites includes extensive information about the history and impact of vouchers.

**The Federal Tax Credit Voucher Program: A Landscape of Risks for Public Schools and Students: National Coalition for Public Education**

<https://static1.squarespace.com/static/582f7c15f7e0ab3a3c7fb141/t/6943232a4ffe0b625bed79d1/1766007594582/The+Federal+Tax+Credit+Voucher+Program-Risks+for+Public+Schools+and+Students+12.16.25.pdf>

**Federal Voucher Program — FAQs:** Basic questions answered in a document developed by Public Funds Public Schools (PFPS) and Education Law Center

<https://edlawcenter.org/wp-content/uploads/2025/08/Federal-Vouchers-FAQs.pdf>

**Federal Vouchers, Treasury Regulations, and State Flexibility. Governors Beware: The Voucher Advocates in DC Are Not Serious About Returning Education to the States:** National Education Policy Center cautions governors about Trump’s voucher scheme.

[https://nepc.colorado.edu/sites/default/files/publications/PM%20Welner\\_1.pdf](https://nepc.colorado.edu/sites/default/files/publications/PM%20Welner_1.pdf)

**Facts About Vouchers.** National Coalition for Public Education’s collection of myths and facts about vouchers. <https://www.ncpecoalition.org/facts>



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