

QUICK FACTS: SCHOLARSHIP TAX CREDITS

CONSTITUTIONAL END RUN?

Scholarship tax credit proposals in Nebraska would allow taxpayers to allocate a portion of their state taxes to organizations that issue scholarships to students wanting to attend private K-12 schools.

Some recent proposals would have let a taxpayer receive a credit equal to their total donation.¹ This would allow the state to effectively fund private schools in a way it couldn't otherwise under our constitution.



LESS ACCOUNTABILITY THAN PUBLIC SCHOOLS

Public schools also are prohibited from discriminating against students, but recent scholarship tax credit proposals only prohibit participating private schools from overtly discriminating against students based on race.² Public schools are required to be transparent about their budgets and student outcomes. Private schools that would benefit from these programs wouldn't be under the same obligations, based on recently proposed legislation. There have been no academic standards set out in these bills.

STATE SAVINGS?

The state would only save money if enough students switched from public to private schools to allow public schools to eliminate teachers, close classrooms and cut other fixed costs.

NEW SPENDING

This credit would be a new example of spending through the tax code. Unlike spending through appropriations, which is reviewed biennially, tax credits would be on autopilot, with less transparency and scrutiny.

TAX BENEFIT GREATER THAN FOR OTHER DONATIONS

●
\$684

14X GREATER
\$10,000

Under recent proposals, a married couple with an income tax liability of at least \$20,000 who made a \$10,000 donation to a scholarship granting organization would have received a tax benefit of \$10,000. If the couple made the same donation to another charitable organization, their tax savings would have been only \$684, assuming they pay at the top income tax rate.

SCHOLARSHIP TAX CREDIT REFERENCES

- ¹ Nebraska Legislature, "LB 670," Jan. 23, 2019, accessed at https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=37317 on April 5, 2022; Nebraska Legislature, "LB 364," Jan. 19, 2021, accessed at https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=44311 on April 5, 2022.
- ² National Law Review, "5 Differences Between Title VII and Section 1981 That Can Help Your Employment Race Discrimination Case," accessed at <https://www.natlawreview.com/article/5-differences-between-title-vii-and-section-1981-can-help-your-employment-race> on April 5, 2022.