



Opts NC into federal program benefitting wealthy

HB 87 Summary: The Educational Choice for Children Act opts North Carolina in to the federal tax credit program for contributions to scholarship granting organizations and directs the State Education Assistance Authority to produce a list of eligible entities in North Carolina and comply with forthcoming federal rule-making to ensure the State can participate in taxable years after December 31, 2026.

NCGA embraces tax breaks for wealthy in H.R.1.

While NC state revenue isn't impacted, participation in this tax credit program would provide new avenues for high-income families, donors, and families with high educational expenses to get a tax break that has the potential to grow and balloon the costs of the One Big Beautiful Bill, forcing additional cuts over time.

- Under this federal program, the federal government would fully reimburse a household up to \$1,700 for any donation to a nonprofit that then provides scholarships for tuition, fees, or other educational expenses.
- Estimates suggest \$3 billion to \$4 billion in lost federal revenue each year, with costs rising over time.

Federal rule-making could make the program available to students in public schools.

This legislation was enacted before rule-making began for the program and there is some speculation that the program could be designed to enable access to families with students in public schools. Such a move, while increasing access to the benefit, would also significantly increase the cost of the program at the federal level.

Undermines Congressional ruling that Governors have the power to opt-in to this program

The Parliamentarian in Congress ruled that this provision must be approved by Governors. This state legislation is an end-run around that protection. Not only does this legislation further erode the Governor's power, it creates additional administrative work and costs for state agencies that are unfunded.