



December 23, 2025

Submitted via www.regulations.gov

Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C., 20224

Re: Docket ID IRS-2025-0466, Request for Comments on Individual Tax Credit for Qualified Contributions to Scholarship Granting Organizations (Notice 2025-70)

The NC Budget & Tax Center is a non-profit, non-partisan organization that documents and analyzes fiscal and economic conditions in partnership with community leaders, and creates tools and opportunities for people and organizations to work together to secure the policies and public investments that improve economic opportunity and well-being. We believe that North Carolina can be a state where, no matter who you are or where you live, you can reach your full potential and that public investment in public education is critical to that goal.

In North Carolina, four out of every five school-age children, more than 1.5 million children¹, are educated in our state's public school system which serves every child regardless of how much money their family has and who they are.

Our organization not only cares about the well-being of public school students, their families, and the future of our state, but we care about the stewardship of public funds for the public good and fiscal responsibility in the management of our tax dollars to ensure funding meets shared goals that are only possible through a collective commitment.

¹ NC Public School Forum, 2025, accessed at: <https://www.ncforum.org/public-dollars-private-schools-evaluating-access-affordability-and-accountability-in-north-carolinas-universal-voucher-program/2025/>

For these reasons, we strongly oppose the federal voucher program and the forthcoming guidance and regulations implementing the program. This ill-advised program will divert public funds to private educational uses, to the detriment of students, schools, and communities across the country.

Already North Carolina has costly, inequitable private school vouchers in place due to state statute that are tilting educational pathways to benefit the wealthiest while blocking the vast majority of students of the level ground that can propel children forward in life to build wealth, stay connected to community, and strengthen our state.

The federal voucher program diverts public funds to private entities putting the educational outcomes of students and future financial stability of states at risk.

Many school districts across the country already face severe underfunding.² North Carolina is no exception: In the latest report on school funding effort, our state ranks last.³

Diverting public funds to vouchers leaves public schools with even fewer resources to meet the needs of their students. At the same time, high-need students, who are frequently rejected by private schools, are concentrated in public schools, which must welcome and serve all students. State voucher programs threaten the very existence of neighborhood public schools.⁴ When neighborhood schools close, students and their communities face devastating effects in the realms of education as well as social and civic engagement.⁵ Public schools need more, not fewer, resources in order to educate all students, particularly their most vulnerable.

² See, e.g., Danielle Farrie & Robert Kim, *Making the Grade: How Fair is School Funding in Your State?*, Education Law Center (2025), <https://edlawcenter.org/wp-content/uploads/2025/12/Making-the-Grade-2025.pdf>.

³ <https://edlawcenter.org/research/making-the-grade-2025/>

⁴ See, e.g., Amelia Ferrell Knisely, *Morrisey pushes school choice; lawmakers face 'balancing act' as counties lose public schools*, West Virginia Watch (Feb. 12, 2025), <https://westvirginiawatch.com/2025/02/12/morrisey-pushes-school-choice-lawmakers-face-balancing-act-as-counties-lose-public-schools/>; Beth Lewis, *Neighborhood schools are closing across Arizona. It's because of vouchers*, AZMirror (Oct. 6, 2025), <https://azmirror.com/2025/10/06/neighborhood-schools-are-closing-across-arizona-its-because-of-vouchers/>.

⁵ See, e.g., Public Funds Public Schools & Advancement Project, *Save Neighborhood Schools – Say No to Private School Vouchers!* 1, 3 (Apr. 2025), https://pfps.org/assets/uploads/Save_Neighborhood_Schools_Say_No_to_Private_School_Vouchers__FINAL_.pdf; Advancement Project, *Action Kit: Stop Public School*

The federal voucher program, by design, diverts federal tax dollars that should be used for public education and other much-needed public services.⁶ The program does not include meaningful quality or accountability standards nor anti-discrimination requirements and will provide vouchers to wealthy families, even those that have already chosen and are paying for private education. Because the program includes no spending cap, the federal government can expect significant revenue loss to unaccountable scholarship granting organizations (“SGOs”)⁷ and private schools, while increasing the national debt. Official estimates by the Joint Committee on Taxation suggest \$3 billion to \$4 billion in lost federal revenue each year.⁸

In states with voucher programs, costs almost inevitably increase over time, public school funding declines, and the burden on taxpayers and state budgets rises.⁹

North Carolina’s experience with private school vouchers is a cautionary tale. Since 2014, the state has diverted \$1.3 billion in tax dollars to private schools while just 8.4 percent of students

Closures 17-18 (2024), https://advancementproject.org/wp-content/uploads/2024/05/AP-SchoolClosureActionKit_FINAL.pdf.

⁶ A federal tax credit voucher program, like tax credit voucher programs in the states, constitutes the expenditure of public funds. Moreover, tax credit vouchers incentivize disenrollment from public schools, which are funded largely based on the number of students enrolled. Thus, when a student takes a voucher and leaves their local district to attend a private school, the public school district’s funding decreases.

⁷ A 2021 preliminary investigative report by the League of Women Voters of Florida examined the finances and operations of Step Up for Students, one of two authorized Scholarship Funding Organizations that administer Florida’s voucher programs. The report found that Step Up lacked oversight and accountability and failed to monitor and evaluate program compliance. League of Women Voters of Florida, *Step Up for Students Preliminary Investigative Report* (Mar. 2021), <https://lwf.org/step-up-for-students-preliminary-investigative-report/>.

⁸ Joint Committee on Taxation, JCX-35-25 (July 01, 2025) Estimated Revenue Effects Relative To The Present Law Baseline Of The Tax Provisions In “Title VII – Finance” Of The Substitute Legislation As Passed By The Senate To Provide For Reconciliation Of The Fiscal Year 2025 Budget, accessed at: <https://www.jct.gov/publications/2025/jcx-35-25/>

⁹ Samuel E. Abrams & Steven J. Koutsavlis, *The Fiscal Consequences of Private School Vouchers*, Public Funds Public Schools 16 (Mar. 2023), https://pfps.org/assets/uploads/SPLC_ELC_PFPS_2023Report_Final.pdf.

had ever attended a public school.¹⁰ More than 40 percent of households receiving private school vouchers have incomes in the top income tiers, with more than \$115,000 for a family of four.¹¹ Meanwhile, the state continues to fail to meet its constitutional responsibility to fund a sound, basic public education for every child.¹² The combined effect of private school voucher expansion and tax breaks for the wealthy and profitable corporations in North Carolina have reduced public dollars that should be committed to public schools first. Despite the state's dismal funding effort for public schools, North Carolina ranks 25th in graduation rates among the states.¹³

Public funding for private educational opportunities don't improve educational outcomes.

Private school vouchers do not benefit students, families, or communities, nor do they help the most vulnerable, highest-need students obtain a better education than they can receive in public schools. There is an ever-mounting body of evidence that vouchers cause great harm, in multiple ways, to those they claim to benefit.¹⁴

¹⁰ Mebane Rash, October 12, 2025, As vouchers near 100000, first evidence of churn can be seen. EdNC, accessed at: <https://www.ednc.org/as-vouchers-near-100000-first-evidence-of-churn-can-be-seen/>

¹¹ Public School Forum of North Carolina, School Vouchers in North Carolina, accessed at: <https://www.ncforum.org/vouchers/>

¹² Public School Forum of North Carolina, Background & Resources on the Leandro Case, accessed at: <https://www.ncforum.org/leandro/>

¹³ NC Public Schools First, Public Education At A Glance, accessed at: <https://publicschoolsfirstnc.org/wp-content/uploads/2025/10/NC-Public-Ed-at-a-Glance.pdf>

¹⁴ See research collected by Public Funds Public Schools at <https://pfps.org/research/>.

Students who use vouchers experience worse educational outcomes than their public school peers,¹⁵ in private schools that are subject to few, if any, quality and accountability standards.¹⁶ Vouchers perpetuate racial¹⁷ and economic segregation, and the majority of vouchers are used by wealthier families who already send their children to private schools.¹⁸ Moreover, voucher students lose most of their legal protections under special education and civil rights laws, and voucher programs use public dollars to fund private schools that can and do discriminate against students and employees in ways that are not lawful in public schools.¹⁹

¹⁵ See, e.g., Jonathan N. Mills & Patrick J. Wolf, *The Effects of the Louisiana Scholarship Program on Student Achievement after Four Years*, University of Arkansas, EDRE Working Paper 2019-10 45 (2019), <https://bpb-us-e1.wpmucdn.com/wordpressua.uark.edu/dist/9/544/files/2019/04/Mills-Wolf-LSP-Achievement-After-4-Years-final-ut3mor.pdf>; Megan Austin, R. Joseph Waddington & Mark Berends, *Voucher Pathways and Student Achievement in Indiana's Choice Scholarship Program*, The Russell Sage Foundation Journal of the Social Sciences 36 (2019), <https://www.jstor.org/stable/10.7758/rsf.2019.5.3.02>; David Figlio & Krysztof Karbownik, *Evaluation of Ohio's EdChoice Scholarship Program: Selection, Competition, and Performance Effects*, Thomas B. Fordham Institute 2 (2016), <https://fordhaminstitute.org/ohio/research/evaluation-ohios-edchoice-scholarship-program-selection-competition-and-performance>.

¹⁶ See, e.g., Arianna Prothero & Alex Harwin, *Private School Choice Programs Fall Short on Transparency, Accountability*, Education Week (Feb. 28, 2020), <https://www.edweek.org/policy-politics/private-school-choice-programs-fall-short-on-transparency-accountability/2020/02>; Tim Walker, 'No Accountability': *Vouchers Wreak Havoc on States*, NEA Today (Feb. 2, 2024), <https://www.nea.org/nea-today/all-news-articles/no-accountability-vouchers-wreak-havoc-states>.

¹⁷ See e.g., Chris Ford et al., *The Racist Origins of Private School Vouchers*, Center for American Progress 8 (2017), <https://www.americanprogress.org/article/racist-origins-private-school-vouchers/>.

¹⁸ Josh Cowen, *School Vouchers: There Is No Upside*, Albert Shanker Institute (Feb. 21, 2023), <https://www.shankerinstitute.org/blog/school-vouchers-there-no-upside> ("Despite supporter rhetoric that voucher schemes are about new opportunities, the reality is 70-80 percent of kids in states like Arizona, Missouri, and Wisconsin were already in private school before taxpayers picked up the tab."); see also Indiana Department of Education, *Choice Scholarship Program Annual Report: Participation & Payment Data: 2024-2025* 11 (2025), <https://www.in.gov/doe/files/2024-2025-Annual-Choice-Report.pdf> (finding that 70% of voucher recipients in 2024-25 had never attended an Indiana public school, a three percentage point increase from the prior school year).

¹⁹ Kevin G. Welner & Preston C. Green, *Private School Vouchers: Legal Challenges and Civil Rights Protections*, UCLA Civil Rights Project 8 (2018), https://civilrightsproject.ucla.edu/wp-content/uploads/2018/03/Welner-Green-JT_022818-for-post.pdf; Adam Mengler, *Public Dollars, Private Discrimination: Protecting LGBT Students from School Voucher Discrimination*, 87 Fordham L. Rev. 1251, 1264 (2018) (quoting Ariz. Rev. Stat. § 15-2404 (2018)).

While we maintain that the federal voucher program is a deeply harmful policy that should be repealed, we are compelled to comment on the need for strong data collection and reporting requirements. Data available in North Carolina has helped to make the government and the public aware of how taxpayer dollars are being used and the impact this program will have on public schools, public school students, and students who use vouchers to attend private schools. It has also provided important insight into who benefits from this policy choice to use public dollars for private schools.

We therefore provide the following recommendations in response to **Section 4.05: Request for comments on reporting and recordkeeping requirements.**

Pursuant to the authority provided by § 25F(h), the Treasury Department and Internal Revenue Service (“IRS”) propose requiring organizations seeking to satisfy the requirements to be an SGO to report certain information to the IRS and to retain certain records, including information on “each qualified contribution received by the organization” and “each [voucher] recipient awarded a [voucher] by the organization.” Because federal funds are used for these vouchers, it is appropriate that such data be collected by the federal government. It should include data on voucher recipients disaggregated by student subgroups, including race/ethnicity, gender, socioeconomic status, students with disabilities, English learners, geographic location, and prior enrollment in public school.

Such data should also include information to enable assessment of how the voucher funds are used and the effectiveness of the voucher program in serving students. Some existing state voucher programs require SGOs and/or private schools to provide substantive and relevant data regarding who is using vouchers, which private schools and private education providers are receiving the funds, and educational outcomes for voucher students.²⁰ These state requirements provide a model, albeit incomplete, of voucher data collection.

²⁰ See, e.g., Indiana Department of Education, *Choice Scholarship Program Annual Report* (2024), <https://www.in.gov/doe/files/2023-2024-Annual-Choice-Report.pdf>; Arkansas Department of Education, *Education Freedom Account Annual Report* (2024), https://dese.ade.arkansas.gov/Files/2023_2024_EFA_Report OSCPE.pdf.

Moreover, it is imperative that states be required to report on the losses of public school enrollment and funding caused by the federal voucher program, as well as the cost to states of implementing and overseeing this program.

Finally, this data on the use of public funds for private school vouchers should be made available to the public, in a timely manner and with appropriate privacy protections and redactions of personally identifiable information. There is no justification to provide anything less than full transparency to the public regarding this program.

The federal voucher program diverts federal tax dollars that should flow to the U.S. Treasury and be used to fund the public goods, including public education, that students and families rely on and that strengthen the country we live in as one that delivers opportunity to all.

We urge you to make strong rules to minimize the harm that this policy will have on our communities and our country. Please contact us if you require additional information about the experience in North Carolina or these comments at info@ncbudget.org.

Sincerely,



Alexandra Forter Sirota
Executive Director