



School Choice—Issue Brief

2025 AACCS NLC

BACKGROUND AND STATUS:

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act which includes provisions to establish a national school choice program. The establishment of a federal school choice program marks a historic advancement for school choice and is a result of nearly a decade of work by a broad coalition of school choice advocates, including the AACCS.

This historic provision establishes a **federal tax credit scholarship program** that will allow individuals to receive a tax credit for contributions to scholarship granting organizations (SGOs), which in turn provide scholarships to students to use for educational purposes.

The program went through many changes and revisions during negotiations in the House and Senate. The final result included several very positive provisions as well as a few that will need to be improved.

COMPONENTS OF THE PROGRAM:

- The program is a dollar-for-dollar non-refundable tax credit for individuals who donate up to \$1,700 to a scholarship granting organization (SGO).
- As a tax credit program, the Department of Treasury will have oversight for the program, rather than the Department of Education, which prevents it from becoming another federal educational program.
- **Scholarship Granting Organizations (SGOs)** must meet a few requirements to participate in the program:
 - The SGO must use 90% of its income for scholarships.
 - The SGO must provide scholarships to 10 or more students, not at the same school.
 - The SGO must be recognized by the governor of the state where the scholarship students live. In other words, governors must choose to opt in to participate in the program for students in that state to receive a scholarship.
- Scholarship Granting Organizations (SGOs) must follow a few specifications when distributing **Student Scholarships**:
 - Scholarships can be used for a variety of educational needs, including private school tuition, tutoring, curriculum, technology costs, and supplemental educational items.
 - Scholarships can be awarded to families living under 300% of the median income in their area. This will allow not just low-income families to participate but also families in the middle-income bracket as well. The income eligibility will help make Christian education a reality for nearly any family who has not been able to afford it to this point, and also for families who already make great sacrifices for their children to attend a Christian school.
 - Priority for scholarships must be for students who have received a scholarship in previous years and siblings of scholarship recipients.
 - Scholarships funded by the federal program can be “stacked” on top of existing state scholarships.

PROTECTIONS FOR PARTICIPATING PRIVATE SCHOOLS:

School choice advocates are confident that the program's structure will intrinsically protect the autonomy of participating private schools. Even though the bill passed without specific language explicitly protecting the autonomy and religious liberty of all participants, **lawyers believe that nothing in the law allows the federal government or states to limit the autonomy and religious liberty of participants.** *Arizona Christian School Tuition Org. v. Winn* made it clear that tax credit scholarship programs are not expenditures of government money. The SGOs are entirely privately funded, and the tax credit to an individual cannot be considered a government expenditure.

NEXT STEPS—CONTINUED ADVOCACY:

The AACCS and other conservative organizations are continuing to advocate for explicit language which protects the autonomy of participating SGOs, schools, and families. This important aspect of the program can be addressed through the regulatory process, advocacy on the state level, and future amendments to the law.

- The Department of the Treasury will be tasked with writing the regulations for the program. The AACCS will be looking for opportunities to advocate for the inclusion of language that SGOs maintain autonomy in their mission based on First Amendment protections and Supreme Court precedent, and that states cannot add to the qualifications for SGOs.
- Governors must recognize the SGOs in order for students in their respective states to receive a scholarship. In other words, they have the option to opt out of the program, thus denying educational opportunities to families in their states. State leaders and school leaders should be advocating to governors and lawmakers to recognize SGOs and the benefit that this program will bring to families and children in their states.
- Additionally, governors should not be allowed to play politics with a federal program designed to allow choice. Nothing additional should be added to the law's requirements. Some policy pundits believe that some Democrat governors may choose to recognize SGOs if they can add requirements for SGOs.¹ However, additional SGO requirements will only limit the scope and effectiveness of the program. Governors should be limited to a simple "yes" recognition of federal qualified SGOs. They should recognize the growing popularity of school choice, especially among minority and low-income families, as a help for students. In addition, governors should realize that blocking federal benefits for people in their state is, in a very real sense, "leaving money on the table" that could be used to improve educational outcomes in their state.

LEGISLATIVE ASK OF CONGRESS:

Members of Congress should advocate for an implementation of the program that recognizes the needs of religious schools for the support of the program as a whole. Because approximately 75% of existing private schools are religious in nature;² religious schools must be allowed to participate for the program to be successful and offer true choice. There are three specific areas where Members of Congress can help provide maximum opportunity for students and families in their states:

¹ Jon Valant, "The OBBBA's Tax-Credit Scholarship Program Is a Mess that Might Be Worth Opting Into Anyway," Brookings, August 5, 2025, <https://www.brookings.edu/articles/the-obbbas-tax-credit-scholarship-program-is-a-mess-that-might-be-worth-opting-into-anyway/>.

² Maya Riser-Kositsky, "The U.S. Private School Market: An Explainer," Ed Week Market Brief, April 16, 2025, <https://marketbrief.edweek.org/education-market/the-u-s-private-school-market-an-explainer/2025/04>.

1. Representatives can use their influence with the Department of Treasury for regulations that are true to the law and that will not add to the requirements for SGOs or for participating schools and students.
2. Representatives can also use their influence with governors in their state to persuade them of the benefits of recognizing SGOs and providing educational opportunities for all families in their states.
3. Representatives can also use their influence with state legislators to support the program and SGOs in their state.

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