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## ***THE D.C. TUITION TAX CREDIT: THE VOTERS' CHOICE***

### INTRODUCTION

Mounting public dissatisfaction with the public school systems is well documented and much discussed. Falling scores on nationally administered exams gravely concern parents and educators alike. Many parents express anxiety about the content (or lack of it) of the classes their children attend. Disciplinary problems, including drug abuse and violence, have become more and more common. As doubts about the quality of public schools grow, increasing numbers of parents are considering transferring their children to private schools in order to have more control over the quality, content and tone of elementary and secondary education. Private schooling, however, is costly, particularly as inflation rates continue to rise. To make matters worse for these parents, they are forced to continue supporting public schools through state and local taxes. The result: private schooling is an extraordinary financial sacrifice for all but those in the high-middle and upper income brackets.

Alleviating this extreme and, it seems, unfair burden is the aim of a growing number of groups, such as the Council for American Private Education, the National Society of Hebrew Day Schools, and the United States Catholic Conference. They advocate what is called tuition tax credits. Though the focus of discussion is mainly on the national level, there also have been developments in local communities. Perhaps nowhere is the issue hotter than in Washington, D.C., where residents will vote November 3 on a proposed system which, if successful, could have enormous impact on the national debate about tuition tax credits.

The D.C. proposal will give taxpayers a dollar-for-dollar reduction in their local income taxes for contributions toward the educational expenses -- in either public or private schools -- of a D.C. resident. The maximum credit allowed is \$1,200 per

child. Because it is a tax credit rather than a deduction, even individuals who do not itemize their tax returns can benefit from the program.

There are two major criticisms of the D.C. proposal. The first is that tuition tax credits aid mainly the wealthy who already can afford to send their children to private schools. Indeed, many D.C. residents have such low incomes that they pay little or no city income taxes. Thus, the tax credits, it is argued, would benefit them little directly. The D.C. tuition tax credit proposal, however, places no restrictions on the relationship between those claiming tax credits and the children whose educational expenses are being paid. Thus, taxpayers other than parents, such as businesses, friends, and neighbors can help send a child to a private school or contribute to public school expenses and claim the expenditures (up to \$1,200 per child) as a tax credit. The only limitation is that businesses may qualify for the tax credit only if they contribute to the education of a "needy" child. The D.C. City Council would define "need" for this purpose. The economist E. G. West observes: "It is safe to assume that a great many taxpayers, both individual and corporate, will prefer to see some portion of their present D.C. income tax payments spent to achieve a known good such as education rather than let the money disappear into the bottomless pit of the D.C. Treasury."<sup>1</sup> Thus, there are strong arguments that lower income families stand to gain a great deal from this tuition tax credit proposal. It will allow them a chance to choose where to send their children to school.

The second major criticism is that a tuition tax credit would destroy public education. This prediction assumes that tuition tax credits will result in all the better students going to private schools, while public schools will be left with only slow students, handicapped children, the undisciplined, and those whose families have very little money.

There is little reason to believe, however, that public school enrollment will fall drastically. In Minnesota, where private school tuition has been a deduction from state income taxes since 1955, the public school system continues to thrive. Enrollment in public and private schools in Minnesota, in fact, has stabilized.<sup>2</sup>

With the D.C. plan, the public schools could even be big gainers. Recent estimates show that it costs the D.C. government more than \$3,600 per year to educate a child in the public school

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<sup>1</sup> E. G. West, The Economics of Education Tax Credits (Washington, D.C.: The Heritage Foundation, 1981), p. 62.

<sup>2</sup> Eric Pianin, "A Way of Life for Minnesota Schools," The Washington Post, October 22, 1981, p. B1.

system.<sup>3</sup> Because parents and benefactors would take no more than a \$1,200 tax credit, the D.C. system would have an extra \$2,400 to spend on those children remaining within the system -- all other things being equal. A study by the Economic Communications Center of the Media Institute provides further evidence that neither the public school system nor the District's budget will be destroyed by tuition tax credits. In analyzing the potential effects of a tax credit, the Center took into account the current pupil/instructional staff ratio, average instructional salaries, and the current share of school budgets represented by salaries. The Center concluded that for every 4,000 students leaving the public schools, the District school system would save \$5.8 million annually. If as many as 32,000 students (or about one-third of the system's 100,000 students) transfer to private schools, the net effect on the D.C. treasury (school system gains minus tax credit costs) could be a slight gain. Furthermore, the cost savings estimates provided by the Economic Communications Center are conservative. They take into account only savings from reduced instructional staffs and do not include cost savings from reductions in other expenses -- books, supplies, athletic equipment, etc.

Tuition tax credits thus may very well leave the public school system with fewer children to educate and more money per child with which to do the job. Since most public educators defend their poor performance by referring to overcrowding and under-funding of public schools, the tax credit should provide welcome relief.

This system also has the advantage of increasing pupil outlays somewhat without hiking property taxes or city income taxes. The experience in Minnesota certainly shows that a drastic increase in taxes is not the necessary outcome of a tax credit system.<sup>4</sup>

Finally, and perhaps most important, by giving parents more choice in how and where to educate their children, public schools are forced to compete more directly with nonpublic schools. In every other sector of society, competition improves the product received by the consumer. Competition in the area of education should do the same.

## CONCLUSION

In sum, the tuition tax credit system being proposed in D.C. forces public schools to improve their product -- the education

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<sup>3</sup> William Raspberry, "Is This the Way to Better Schools," The Washington Post, October 21, 1981, p. A27. This figure also appeared in a flyer distributed by the D.C. Committee for Improved Education.

<sup>4</sup> Pianin, op. cit.

they are providing -- while giving them more money per student to accomplish this. The result should be a better education deal for everyone -- for students whose parents (or some other benefactor) now find themselves financially able to send these children to private schools and for students who remain within the public school system.

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