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Education Tax Credit Escalator Basics Pennsylvania vs. Other States

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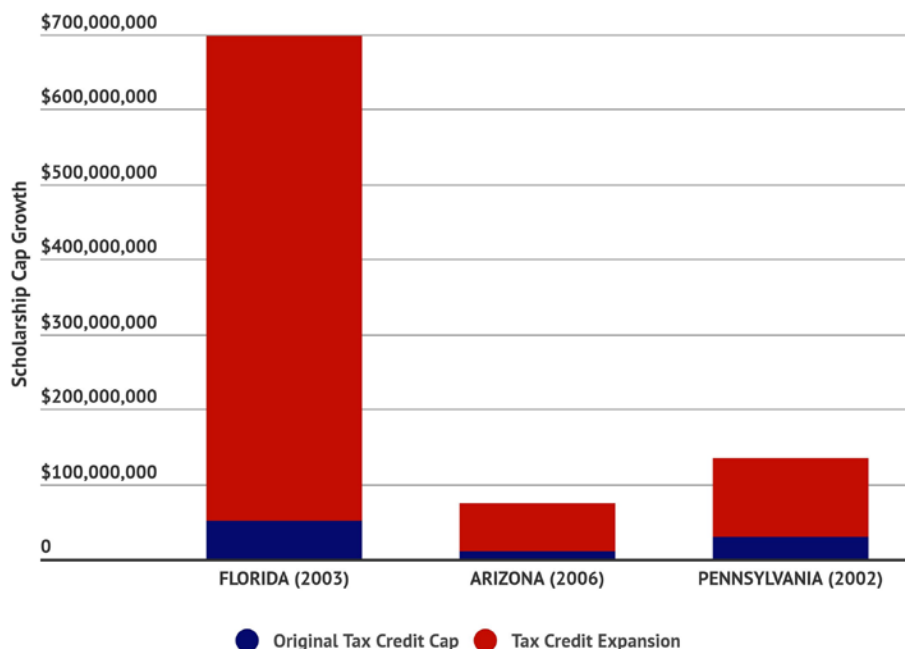
The Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs have offered a lifeline to Pennsylvania students, delivering more than 570,000 scholarships since the programs began. Last year, organizations awarded 48,989 scholarships, providing more than \$90 million in tuition assistance. However, demand continually outpaces supply, leaving thousands of children unable to receive the best education opportunities possible.

Pennsylvania Is Falling Behind

Five states have adopted provisions to automatically increase their tax credit cap. Pennsylvania, once a leader in education choice, is falling behind. Since inception, Pennsylvania's annual growth rate for scholarships issued is just 7.2 percent. On the other hand, [states with automatic escalator clauses, such as Florida, Arizona, and New Hampshire](#) experience growth rates ranging from 13.7 percent to 34 percent.

AUTOMATIC ESCALATOR IMPACT

TAX CREDIT SCHOLARSHIP GROWTH



Source: EdChoice.org

Automatic Escalators in Other States

Five states have tax credit scholarship programs with automatic escalator clauses. An automatic escalator automatically increases the total credit cap by a certain amount when a predetermined amount of available tax credits is claimed in a given year. For example, New Hampshire increases their tax credit cap by 25 percent when at least 80 percent of credits are claimed. This ensures that supply can meet demand and minimizes the number of students who are turned away.

STATE TAX CREDIT ESCALATORS

	Arizona	Florida	Montana	New Hampshire	Nevada
Escalator Amount	20% annually	25% Annually	10% annually	25% Annually	10% annually
Trigger	Automatic	90% of available credits are used in prior year	Automatic	80% of available credits are used in prior year	Automatic
Escalator Launch Date	2006	2011	2015	2013	2015
Current Scholarships Issued	20,076	106,958	25	332	1,692
Scholarship Increase	931%	209%	N/A	222%	356%

Pennsylvania vs. Florida

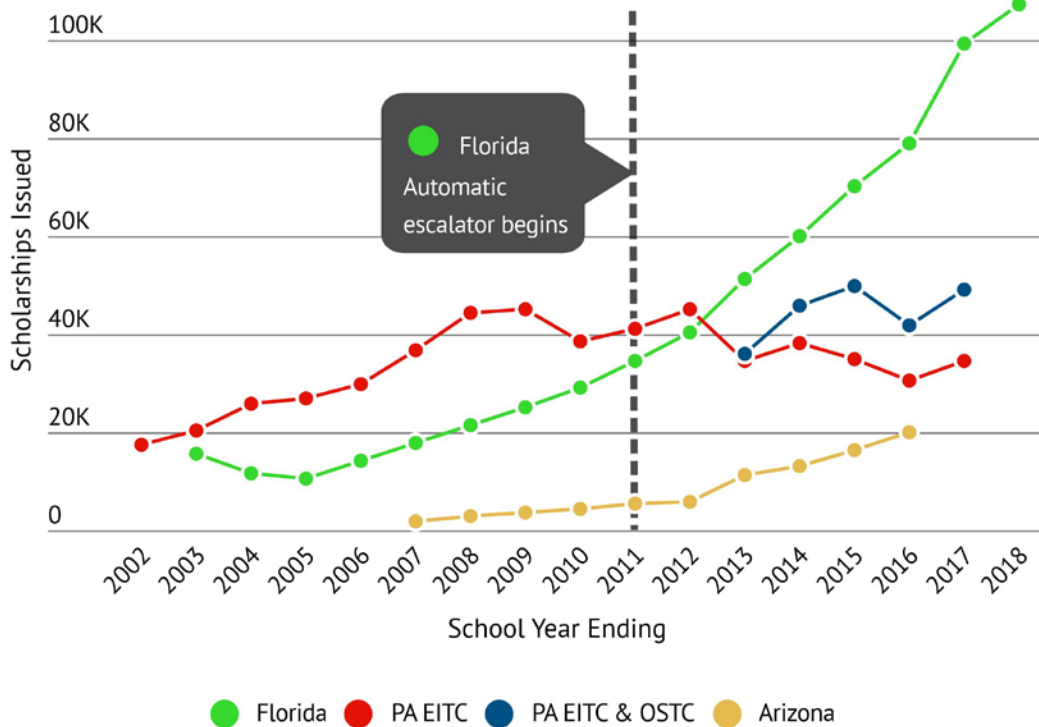
Florida offers the best comparison to Pennsylvania, as the two programs tracked similarly until Florida [implemented their escalator in 2011](#).

In Pennsylvania, tax credits are capped—requiring new legislation every year to increase the amount of tax credits—even as long waiting lists for scholarships remain. This denies [thousands](#) of Pennsylvania kids their first educational choice. Adopting an automatic escalator will solve this problem, ensuring no children are excluded, while also enabling more businesses to help their communities.

After implementing an automatic escalator in 2011, Florida [rapidly eclipsed](#) Pennsylvania in scholarships. Florida now awards 107,000 scholarships, ***more than twice as many as Pennsylvania.***

TAX CREDIT SCHOLARSHIPS AWARDED

Florida, Arizona and Pennsylvania



Source: EdChoice.org, dced.pa.gov

Pennsylvania should implement an automatic escalator clause similar to Florida's. If 90 percent of the previous year's tax credits are claimed, **the tax credit cap increases by 25 percent**. A similar escalator clause would restore Pennsylvania as a leader in education choice and, most importantly, gives thousands more Pennsylvania students the chance to enroll in a school of their choice.