

# Learning Investment Tax Credit

## SUMMARY

- The proposed Learning Investment Tax Credit (LITC), [House Bill \(HB\) 1662](#), creates a \$8,000 per child refundable tax credit to offset education expenses if parents choose a non-public school.
- The \$8,000 tax credit is less than half of the [\\$23,061](#) public schools receive per student.
- In 2024 [lawmakers approved](#) the Child and Dependent Care Enhancement Tax Credit and a \$66.7 million increase for child-care subsidies. Pennsylvania lawmakers are looking for ways to lower costs for families.

## WHY DO WE NEED AN EDUCATIONAL TAX CREDIT?

- Families shouldn't have to choose between paying their mortgage and having quality education options for their children—or working two jobs just to pay for the school their child needs.
- [Forty-nine percent](#) of Pennsylvania families report that if money were no issue, they would prefer a private school or homeschooling for their child, yet only 15 percent attend nonpublic schools.
- The 80,000 student waiting list for Pennsylvania's tax credit scholarship programs indicates parents want more choices. In Philadelphia alone, [19,863](#) students are on the charter school waiting list.
- The Learning Investment Tax Credit program would empower *all* families to choose the education option they prefer.

## HOW DOES THE LEARNING INVESTMENT TAX CREDIT WORK?

- Learning Investment Tax Credits would be easy for families to use and simple for the Pennsylvania Department of Revenue to administer; the bill is similar to the [Child and Dependent Care Enhancement Tax Credit](#).
- After enrolling in a nonpublic school, a parent or guardian would claim their child's school tuition as a tax credit on their annual Pennsylvania tax return. The parent would then receive the credit from the Department of Revenue.
- The bill contains a provision that would allow low-income families to receive tax relief in advance, providing tuition relief for low-income families
- Pennsylvania tax credit programs are subject to standard audits. The LITC ensures that tax-credit dollars directly benefit children without creating an additional bureaucratic or monitoring system.
- The \$8,000 credit will help families afford an education for their children when they are unable to afford rent or a mortgage in a high performing school district. The [average tuition](#) among all private schools in Pennsylvania is \$12,170. However, Simple Tuition Solutions (STS) reports that the [median tuition](#) rate across schools in 53 Pennsylvania counties that provide EITC/OSTC scholarships is \$5,598 annually.

## WHICH EXPENSES WOULD QUALIFY FOR THE TAX CREDIT?

- The LITC would provide tax credits and/or refunds for any parent up to \$8,000 per child for the following expenses.
  - Tuition and fees at a nonpublic school;
  - Textbooks or curriculum materials;
  - Fees for after-school or summer education programs provided by a nonpublic school;
  - Tutoring;
  - Educational software and applications;
  - Fees for standardized and nationally recognized tests, including college admissions tests, advanced placement examinations, and related preparatory courses;
  - Education services for students with disabilities from a licensed or accredited practitioner or education service provider; and
  - Contracted services provided by a public school district, including specific classroom instruction.

## HOW DOES THE LEARNING INVESTMENT TAX CREDIT IMPACT THE PENNSYLVANIA BUDGET?

- If capped at \$500 million, the LITC Program would provide a long-term fiscal savings of \$969,393,080 for taxpayers since the cost of the program at \$8,000 per student is significantly lower than the \$23,000 Pennsylvania spends per public school student.
- School districts would continue retain funding for students participating in the LITC. Because the LITC would be funded through the Pennsylvania Department of Revenue, the program is separate from public school funding and would take zero dollars away from public schools. Public school districts [retain state funding](#) even when students move, or unenroll to attend a private or homeschool. Likewise, districts would not lose money when students exit the public school system using a LITC.

## DO OTHER STATES HAVE A SIMILAR TAX CREDIT PROGRAM?

- Oklahoma [enacted the first](#) universal education tax credit program in 2023, providing refundable tax credits for tuition and fees at an eligible private school, and includes a provision for families to receive a tax credit on homeschooling expenses.
  - In 2024, the tax credit program was capped at \$150 million but will increase to \$250 million by 2026.
  - The value of the tax credit is \$5,000 to \$7,500 per student. Priority is given to households earning less than \$150,000 Adjusted Gross Income.
- The [Idaho Parental Choice Tax Credit](#) is a refundable tax credit allows families to claim up to \$5,000 per child, and \$7,500 per child with special needs for the 2025-26 school year.
  - Priority is given to low-income families earning up to 300 percent of the federal poverty line, or \$94,000 annually for a family of four.

## HOW WOULD THIS WORK WITH THE FEDERAL EDUCATIONAL CHOICE FOR CHILDREN ACT?

- The [proposed](#) Educational Choice for Children Act (ECCA) in the U.S. Congress is a separate from Pennsylvania tax credit programs and could be utilized in conjunction with other federal or state tax credit programs.
- The federal ECCA is similar to Pennsylvania's [existing](#) tax credit scholarship programs and would expand parental choice in K–12 education to children in all 50 states.
- A non-refundable 100 percent federal income tax credit would generate up to \$20 million in K–12 scholarships for low- to middle income families choosing a private school, homeschool, or microschool.
- Donors in any state would be able to fund K–12 ECCA scholarships in Pennsylvania through one of over 250 [scholarship organizations](#) based on the donor's federal tax liability. Likewise, families would apply for scholarship funds through Pennsylvania's existing scholarship organizations.

## POLICY RECOMMENDATIONS

- Pennsylvania lawmakers should work to pass and include the LITC in the 2025-26 budget.
- The \$8,000 credit will help families afford an education for their children when they are unable to afford rent or a mortgage in a high performing school district.