

Federal Scholarship Tax Credit Myths and Facts

SUMMARY

Beginning in 2027, the [Federal Scholarship Tax Credit](#) (FSTC) will provide tax credit scholarships to K–12 students living in states that opt in to the program. Gov. Josh Shapiro must “[voluntarily elect](#)” to join the program by January 1, 2027, for Pennsylvania students to benefit from the program’s onset.¹

Participating in the FSTC from the onset will provide millions of dollars in scholarships to Pennsylvania kids in addition to the Keystone State’s Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs, which provide more than 100,000 scholarships annually to low- and middle-income K–12 students attending non-public schools across all 67 counties.

This fact sheet addresses the most common myths surrounding the FSTC opt in.

FEDERAL SCHOLARSHIP TAX CREDIT

MYTH: The FSTC program and tax credit scholarships in general lack accountability.

FACT: Parental satisfaction is the ultimate form of accountability.

- **Private schools are accountable to parents and stand to lose tuition dollars when parents are unhappy with academic outcomes.**
 - Funding for Pennsylvania public schools jumped to almost [\\$24,000](#) per student in the [2024–25 school year](#),² yet student outcomes have not improved despite the [68 percent](#) spending increase since 2015. The Pennsylvania System of School Assessment ([PSSA](#)) 2025 results reveal that 51.5 percent of kids read below grade level, and in math, 58.3 percent score below basic or basic.³
 - The January 2025 release of the latest National Assessment of Educational Progress (NAEP), or [Nation's Report Card](#), puts more than two-thirds of the commonwealth’s eighth graders as not proficient in math and reading. Pennsylvania fourth graders, at less than half proficient in either math or reading, did not do much better.⁴
 - The NAEP, administered every two years, in 2022 [revealed](#) that Catholic school students excelled during the COVID-19 pandemic, while public school students lost ground.⁵
 - Notably, these results [underline](#) that Pennsylvania public schools have made no measurable improvement since 2003 to close [achievement gaps](#) of more than 25 points for Black and Hispanic students, economically disadvantaged students, or English language learners.⁶
- The lack of accountability is especially evident among the state’s low-achieving public schools. Public schools that repeatedly score in the bottom 15 percent on Keystone and PSSA exams have received increased education funding, all without producing academic results.

- There are **211,000 kids across the state attending** 380 **low-achieving district schools**. Sixty-six percent (or 250) of these schools have, for seven or more years, been among Pennsylvania's low-achieving schools, with kids trapped in a failing school for their entire elementary, middle, or high school tenure, with no hope of improvement.
- The School District of Philadelphia, at 134, has the highest number of low-achieving schools.⁷

MYTH: Pennsylvania voters do not want to participate in the FSTC.

FACT: Polling shows that Pennsylvania parents and taxpayers support the FSTC program.

- [Democrats for Education Reform](#) report that 78 percent of Keystone voters support the FSTC.⁸
- [EdChoice](#) polling indicates that 70 percent of school parents and 60 percent of American adults are in favor of the program.⁹
- [Invest in Ed](#) data shows that nearly nine-in-ten voters (88 percent) support Pennsylvania joining the program, and more than nine-in-ten, or 94 percent, agree that Shapiro needs to act now to ensure Pennsylvania participates in the FSTC.¹⁰
- The Commonwealth Foundation's [June 2026 polling](#) finds 71 percent of voters support opting in to the FSTC—with nearly three out of four (74 percent) Pennsylvanians support expanding the state's tax credit scholarships.¹¹

MYTH: The FSTC is a “voucher” program that takes money away from public schools.

FACT: Participation in the FSTC program does not cost the state or school districts anything but would provide additional funds for Pennsylvania public and private school students.

- The FSTC funds students whether they are in a private, district, charter/cyber charter, career/technical, or microschool, as well as those who homeschool.
- Individual private donors fund the federal scholarships, and K-12 students attending all types of schools—including public—will benefit.
- Parents will apply for a scholarship through a scholarship granting organization (SGO) to receive scholarships based on family income.
- Parents of public school students can use the scholarship funds for qualified educational expenses, such as school supplies, activity fees, tutoring, books, computer equipment, arts and music enrichment, and special education expenses.
- Parents of private school students may use the funds to offset private school tuition or for the qualified expenses listed above.

MYTH: An FSTC scholarship is too small to help families pay tuition.

FACT: The donation amount is \$1,700; SGOs will determine actual scholarship amounts.

- Some SGOs will provide full tuition scholarships; others will provide partial scholarships.
- SGOs will have the flexibility to direct funds towards the kids who need it most.

- Pennsylvania's EITC program serves as a model, with data showing that its scholarship recipients are from families earning between \$44,000 and \$78,000 annually—far below the FSTC income program guidelines of \$116,055 and the Keystone State's median family income of \$100,557.¹²
- The FSTC will work alongside, or “stack” with, other scholarship awards, including private scholarships, as well as with Pennsylvania's existing tax credit scholarship programs, EITC, OSTC, and the [Economically Disadvantaged Schools](#) supplemental scholarship.

MYTH: The FSTC has a bias towards private school students.

FACT: The FSTC expands educational opportunity for almost all Pennsylvania students, regardless of the school they attend or where they live.

- More than [90 percent](#) of Pennsylvania's K–12 students qualify for the scholarship based on income.
- Households with incomes up to [300 percent](#) of the median gross income level by county, as determined by the U.S. Department of Housing and Urban Development (HUD), are eligible to participate.
- Moreover, public schools can use this fundraising opportunity to supplement school district programming by providing scholarships to income-qualified students.

MYTH: The donation amount is too small to make a difference.

FACT: The FSTC is an uncapped program that will redirect donor funds to students in participating states.

- Individual donors with an IRS tax liability will be able to donate up to \$1,700 through one of Pennsylvania's established scholarship organizations, including EIOs, and receive a 100 percent, non-refundable IRS tax credit annually.
- [Education Reform Now](#) suggests that if 15 percent of Pennsylvania taxpayers participate in the first year, \$484 million in donations will flow to Pennsylvania's K–12 students. Expectations are that the FSTC will grow to more than [\\$3.5 billion](#) in subsequent years.¹³
- The law is permanent, without an expiration date. Donors can give year after year, providing continuous financial support to K–12 students in Pennsylvania and across the United States.
- However, if Shapiro fails to opt in, Pennsylvania will lose out on millions of dollars in tax revenue because taxpayers will take the credit by donating to programs in other states.

¹ Act of July 4, 2025, Pub. L. No. 119–21, § 70411, 139 Stat. 72, 215–218; Commonwealth Foundation, “Federal Scholarship Tax Credit,” February 23, 2026, <https://commonwealthfoundation.org/research/federal-scholarship-tax-credit/>.

² Commonwealth Foundation, “Public Schools Funding Hits Nearly \$24,000 Per Student While Achievement Declines,” news release, May 11, 2026, <https://commonwealthfoundation.org/2026/05/11/public-schools-funding-hits-nearly-24000-per-student-while-achievement-declines/>; Pennsylvania Department of Education, Annual Financial Report (AFR) Data: Summary-Level, accessed May 11, 2026, <https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/financial-data/summary-of-annual-financial-report-data/afr-data-summary-level>; Pennsylvania Department of Education, Education Budget: “2026–27 Summary of State Appropriations,” February 2026, <https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/education-budget>.

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- ³ Commonwealth Foundation, "Education Landscape in Pennsylvania," May 6, 2026, <https://commonwealthfoundation.org/research/education-landscape-in-pennsylvania/>; Pennsylvania Department of Education, Assessment Reporting: "2025 PSSA English Language Arts Results" and "2025 PSSA Math Results," November 2025, <https://www.pa.gov/agencies/education/data-and-reporting/assessment-reporting>.
- ⁴ National Center for Education Statistics, "Nation's Report Card: Pennsylvania Overview," U.S. Department of Education: Institute of Education Sciences, January 29, 2025, https://www.nationsreportcard.gov/profiles/stateprofile/overview/pa?cti=PgTab_OT&sub=MAT&chort=1&st=MN&sfj=NP&sj=PA&year=2024R3.
- ⁵ National Catholic Education Association, "The Nation's Report Card Shows Catholic Schools Excelling Post-Pandemic," news release, October 2022, https://ncea.org/NCEA/NCEA/How_We_Serve/News/Press_Releases/The_Nation_s_Report_Card_Shows_Catholic_Schools_Excelling_Post-Pandemic.aspx.
- ⁶ Commonwealth Foundation, "Pennsylvania Public Schools: Nation's Report Card 2024," February 25, 2025, <https://commonwealthfoundation.org/research/pennsylvania-public-schools-nations-report-card-2024/>; National Center for Education Statistics, "Nation's Report Card: 2024 Mathematics State Snapshot Report, Pennsylvania, Grade 4, Public Schools," U.S. Department of Education: Institute of Education Sciences, January 29, 2025, <https://nces.ed.gov/nationsreportcard/subject/publications/stt2024/pdf/2024219PA4.pdf>.
- ⁷ Pennsylvania Department of Education, Low Achieving Schools: "2025–26 List of Low Achieving Schools," <https://www.pa.gov/agencies/education/programs-and-services/schools/school-services/opportunity-scholarship-tax-credit-program.html>. See also: Pennsylvania Department of Education, Enrollment: Enrollment Reports and Projections, accessed May 21, 2026, <https://www.pa.gov/agencies/education/data-and-reporting/enrollment>.
- ⁸ Democrats for Education Reform, "New PA Poll: 78% of Keystone State Voters Support Opting into the Federal Scholarship Tax Credit (FSTC)," November 25, 2025, <https://dfer.org/2025/11/25/new-pa-poll-78-of-keystone-state-voters-support-opting-into-the-federal-scholarship-tax-credit-fstc/>.
- ⁹ Alli Aldis, "The Federal School Choice Program is Popular," EdChoice, March 19, 2026, <https://www.edchoice.org/2026-the-federal-school-choice-program-is-popular/>.
- ¹⁰ Wallin Opinion Research, "Nearly Nine-in-Ten Pennsylvania Voters Support Federal K–12 Tax Credit Scholarship Program," Invest in Education, April 2026, https://investineducation.org/wp-content/uploads/2026/04/IIE-Polling-One-Pager-PA_V2-4.15.26.pdf.
- ¹¹ Commonwealth Foundation, "New Poll: Pennsylvanians Reject Shapiro's Budget, Demand More Educational Choice, and Oppose Costly Energy Mandates," release, June 24, 2026, <https://commonwealthfoundation.org/2026/06/24/new-poll-pennsylvanians-reject-shapiros-budget-2026/>.
- ¹² Rachel Langan, "Pennsylvania's Education Tax Credit Scholarships: How EITC Serves Children and Families in the Commonwealth, 2nd Edition" (Commonwealth Foundation, May 13, 2026), 10, 24, <https://commonwealthfoundation.org/research/how-eitc-serves-children-and-families-in-the-commonwealth-2nd-edition/>; U. S. Census Bureau, "American Community Survey: S1901 / Median Income by Types of Families in Pennsylvania, the Past 12 Months (in 2024 Inflation-Adjusted Dollars): Pennsylvania," September 2025, <https://data.census.gov/vizwidget?g=040XX00US42&infoSection=Income+and+Earnings>.
- ¹³ Education Reform Now, "New Data Projects Potential \$24 Billion Boost for Students Through Federal Scholarship Tax Credit Program," December 22, 2025, <https://edreformnow.org/2025/12/22/new-data-projects-potential-24-billion-boost-for-students-through-federal-tax-credit-scholarship-program-formerly-ecca/>.