



TESTIMONY TO THE HOUSE WAYS AND MEANS COMMITTEE

HB 930 Income Tax – Decoupling from Federal Changes – Education Expenses

Position: Favorable

By: Linda T. Kohn, President

Date: February 26, 2026

The League of Women Voters of Maryland (LWVMD) is a non-partisan organization that supports policies that provide an equitable, quality public education for all children from pre-k through grade 12. LWVMD supports *House Bill 930, Income Tax – Decoupling from Federal Changes – Education Expenses*, which would **prohibit the State from participating in the Federal Tax Credit Scholarship program.**

The One Big Beautiful Bill Act (OBBBA) created a tax credit scholarship program that is likely to become one of the largest federal programs in K-12 education. This federal program allows a dollar-for-dollar tax credit to individuals if they donate up to \$1700 to a Scholarship Granting Organization (SGO) that provides scholarships for students to attend non-public schools. OBBBA also expands the allowable use of 529 plans to cover additional K-12 private school tuition and expenses. HB930 limits 529 accounts to college savings, which were created as a way for families to save for college.

The Governor has the option to opt-in to this new federal tax credit program. LWVMD supports efforts to send a clear message that Maryland will not and should not participate in this program. The federal tax credit scholarship program will shift funds away from public schools to nonpublic schools, funds that could be used to improve public schools. The costs of this program to the State could be enormous.

There are several reasons why this federal tax credit scholarship program will not benefit Maryland or the public educational system.

Regulatory uncertainty: To date, the IRS has not provided sufficient regulatory guidance on implementation. As of December 12, 2025, the IRS webpage states that additional guidance will be provided in the future.¹ Without sufficient regulatory guidance on implementation, it is

¹ IRS (December 12, 2025). Treasury, IRS allow States to make an Advance Election to participate in the new federal tax credit for individual contributions to Scholarship Granting Organizations under the One, Big, Beautiful Bill. <https://www.irs.gov/newsroom/treasury-irs-allow-states-to-make-an-advance-election-to-participate-in-the-new-federal-tax-credit-for-individual-contributions-to-scholarship-granting-organizations-under-the-one-big-beautiful-bill>

unclear how this will impact state finances. ***It is also unclear how much discretion the State will have in setting rules for SGOs that operate in Maryland.***

Diverts public funds away from education: This federal tax credit is moving policy away from strengthening public education and towards promoting school privatization. As students move away from public education and public school enrollment declines, the funding for public schools and the political will to fund and support an equitable, quality public education for all children will also decline.

Puts public education at risk: The federal tax credit program does not advance the goal of providing an adequate public education for all students.

- Donations to SGOs are a dollar-for-dollar reduction in federal taxes up to \$1,700 whereas donations to other nonprofits are a reduction of taxable income. Thus, donations to the SGOs provide a federal tax break that is three times more than the incentive available to other nonprofit donations. This bill gives the taxpayer a choice of paying federal income tax or making a donation to an SGO.
- This federal tax credit is moving away from strengthening public education and towards promoting school privatization. As students move away from public education and public school enrollment declines, the funding for public schools and the political will to fund and support an equitable, quality public education for all children will also decline.
- The SGO can determine which students receive scholarships, with no priority based on student need or ability to pay private school tuition. SB 930 places no guardrails on the awarding of scholarships to ensure the equitable distribution of the scholarships to students with the most economic and/or educational need. Indeed, the program will likely subsidize families already sending their children to non-public schools.
- The Federal law allows SGOs to award scholarships to eligible students who are members of a household with income below the 300% of area median income. ***The 300% of Maryland's area median income in 2025 is \$395,100.***² The very high income eligibility requirements represent a shift from prioritizing additional funding for students with special needs and students from lower income households, as Maryland has done, to spending on families with less need and more resources.

No guardrails: HB930 prevents SGO's that do not provide guardrails to ensure that SGO recipient non-public schools provide an adequate education for all students. For example:

- The proposed tax credit program does not require teachers in non-public schools supported by SGOs to meet the same standards as public school teachers, such as requiring teacher certification or minimum starting salaries comparable to public schools.
- The proposed tax credit program does not include anti-discrimination or civil rights requirements that protect participating students from discrimination.

² Department of Housing and Community Development. *2025 Income Limits*.
<https://dhcd.maryland.gov/HousingDevelopment/Documents/prhp/2025-MD-Income-Limits.pdf>

- The proposed tax credit program does not include accountability measures from schools or programs receiving funds from the SGOs to ensure the quality of the educational program offered by eligible schools or services provided by private tutoring.

Administrative and implementation costs: The proposed tax credit program does not address implementation of the proposed tax credit program. These unfunded implementation costs include the state approving and certifying that the nonprofit organization meets the requirements to operate as an SGO. There is no guidance as to the maximum amount of each scholarship or a requirement that the SGO and recipient school be unrelated or unaffiliated, which may lead to a conflict of interest and leaves the program open to fraud. The only recourse to regulatory violations is for the state to cancel SGO certification.

LWVMD urges a **favorable report** on HB 930