

INTERIM STUDY PROPOSAL 2025-089

REQUESTING THE HOUSE COMMITTEE ON EDUCATION TO STUDY THE CREATION
OF A PERSONAL EDUCATION TAX CREDIT PROGRAM TO EMPOWER FAMILIES
AND EXPAND EDUCATIONAL FREEDOM.

WHEREAS, according to a recent poll, two-thirds (2/3) of Americans,
including a remarkable eighty percent (80%) of kindergarten through grade
twelve (K-12) parents, support education tax credit policies that trust
families to make educational decisions for their children; and

WHEREAS, Arkansas does not currently provide personal education tax
credits to families who choose to educate their children outside the
traditional public school system, despite the proven success of such programs
in empowering families and reducing the administrative burden on state
government; and

WHEREAS, eleven (11) states currently operate personal education tax
credit programs, with Oklahoma leading the nation through its groundbreaking
Parental Choice Tax Credit that serves nearly forty thousand (40,000)
students annually, which provides up to seven thousand five hundred dollars
(\$7,500) annually for private school students and up to one thousand dollars
(\$1,000) for homeschooled students, demonstrating that large-scale, universal
tax credit programs are both feasible and sustainable; and

WHEREAS, Idaho recently adopted and is in the first year of
implementing its own Parental Choice Tax Credit that provides up to five
thousand dollars (\$5,000) per eligible student or up to seven thousand five
hundred dollars (\$7,500) for students with disabilities as a refundable state
income tax credit; and

WHEREAS, a low-regulation personal education tax credit model uniquely
addresses this gap by returning dollars directly to families through the tax
system without mandating how those funds are spent, trusting parents to
determine what educational approach best serves their child in exchange for a
modest credit amount, a reasonable tradeoff that expands access without

1 expanding government; and

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3 WHEREAS, personal education tax credits offer unique advantages
4 compared with other school choice mechanisms by delivering funds directly to
5 families through existing tax infrastructure, eliminating complex
6 applications and costly administrative overhead while avoiding the creation
7 of new bureaucratic systems; and

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9 WHEREAS, refundable personal education tax credits can ensure that low-
10 income families truly benefit from educational choice programs, allowing
11 parents whose tax liability is less than the credit amount to receive the
12 full benefit as a direct payment; and

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14 WHEREAS, states implementing personal education tax credit programs
15 report cost efficiencies compared to traditional per-pupil funding, as
16 supporting students through tax credits typically costs less than funding
17 those same students within the public school system while providing
18 substantial family support through lower dollar amounts per eligible child;
19 and

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21 WHEREAS, an education enrichment tax credit proposal would prioritize
22 family freedom by allowing parents maximum flexibility in using funds for
23 diverse educational expenses such as tutoring, homeschooling materials,
24 nonpublic school fees, and other educational needs without restrictive
25 program requirements; and

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27 WHEREAS, a scalable implementation model beginning in 2027 with an
28 allocation of one hundred million dollars (\$100,000,000) and transitioning
29 over time based on demand would demonstrate the state's commitment to meeting
30 family needs while utilizing existing tax infrastructure and maintaining
31 fiscal responsibility through annual legislative reporting on credits claimed
32 and fraud prevention; and

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34 WHEREAS, the General Assembly should study the implementation of a
35 comprehensive personal education tax credit program that would trust Arkansas
36 families to customize their children's education while providing the state

1 with an efficient, legally sound, and politically sustainable mechanism for
2 expanding educational freedom,

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4 NOW THEREFORE,

5 BE IT PROPOSED BY THE HOUSE COMMITTEE ON EDUCATION OF THE NINETY-FIFTH GENERAL
6 ASSEMBLY OF THE STATE OF ARKANSAS:

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8 THAT the House Committee on Education study the creation of a personal
9 education tax credit program that empowers families to receive direct
10 financial support for educating their children outside the traditional public
11 school system, including without limitation:

12 (1) The design of a universal tax credit program available to all
13 families with children eligible for public school enrollment but choosing
14 alternative educational options, including without limitation private
15 schools, homeschooling, microschools, learning pods, and educational
16 cooperatives;

17 (2) The optimal credit amount structure, with particular analysis of
18 Arkansas's proposed three thousand dollars (\$3,000) per child amount compared
19 to other models such as Oklahoma's income-adjusted system, and evaluation of
20 straightforward delivery mechanisms, including direct deposit and mail
21 distribution through existing tax infrastructure;

22 (3) The implementation of refundable credit mechanisms to ensure low-
23 income families can access the full benefit of the tax credit regardless of
24 their tax liability, including without limitation advance payment systems
25 that provide funding prior to tax filing;

26 (4) Eligible educational expenses that maximize family autonomy,
27 including without limitation tuition, fees, textbooks, curriculum materials,
28 tutoring, educational therapies, transportation, and technology necessary for
29 educational purposes;

30 (5) Administrative efficiency measures that eliminate complex program
31 applications by leveraging the Department of Finance and Administration's
32 existing tax collection infrastructure, minimize bureaucratic oversight
33 compared to other school choice programs, and rely on standard auditing
34 processes and annual legislative reporting for accountability rather than
35 creating new regulatory frameworks;

36 (6) The fiscal impact analysis comparing the cost of personal

1 education tax credits to traditional per-pupil public school funding and
2 other state-funded education programs such as the Arkansas Children's
3 Educational Freedom Account Program, including long-term budget projections
4 and revenue stream options beyond income tax, such as sales tax and property
5 tax mechanisms;

6 (7) Legal framework considerations that ensure the program's
7 sustainability by utilizing tax credit structures rather than direct
8 appropriations, thereby reducing vulnerability to constitutional challenges
9 related to public funding of private education;

10 (8) Coordination mechanisms between the Department of Finance and
11 Administration and the Division of Elementary and Secondary Education to
12 verify eligibility while protecting family privacy and maintaining minimal
13 administrative burden;

14 (9) Prorated credit structures for students who are partially enrolled
15 in public schools while receiving supplemental educational services
16 elsewhere;

17 (10) The interaction between proposed personal education tax credits
18 and existing Arkansas programs, including without limitation the Arkansas
19 Children's Educational Freedom Account Program and the Philanthropic
20 Investment in Arkansas Kids Program, to ensure complementary rather than
21 duplicative benefits;

22 (11) Implementation timeline and phase-in strategies, specifically
23 analyzing the proposed model beginning in 2027 with an allocation of one
24 hundred million dollars (\$100,000,000), transitioning to uncapped universal
25 availability in 2029, and the scalability benefits of using existing tax
26 infrastructure to meet growing family demand;

27 (12) The ability of a personal education tax credit program to address
28 unmet parental needs by prioritizing feasibility, flexibility, and reduced
29 regulatory burdens in exchange for less funding compared to other educational
30 options; and

31 (13) Program evaluation metrics focused on family satisfaction,
32 educational outcomes, administrative cost savings compared to other school
33 choice programs and public school funding, and fiscal transparency through
34 annual legislative reporting on credits claimed.

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36 BE IT FURTHER PROPOSED THAT the following entities provide assistance with

and input regarding the study:

- (1) The Department of Finance and Administration;
- (2) The Department of Education;
- (3) The Bureau of Legislative Research;
- (4) Representatives from private schools, homeschool associations, and alternative education providers;
- (5) Parent advocacy organizations and educational freedom groups; and
- (6) Representatives from states with existing personal education tax credit programs, particularly Oklahoma's and Idaho's Parental Choice Tax Credit administrators.

Respectfully submitted,

Representative Brit McKenzie

District 7

Prepared by: AHF/AHF

