ECCA *Calculations*

The recently-passed Educational Choice for Children Act (ECCA) provides a federal 100% tax credit for donations up to $1,700 made to Scholarship Granting Organizations (SGOs). SGOs can then use these donations to support students in the form of tuition for private school, tutoring for public school students, and other eligible uses. As states consider whether to "opt in" to ECCA, we created this tool to help states estimate how much money they might each raise.

It's important to stress that high taxpayer participation rates will not happen overnight. Each state will need to experiment with different strategies to build awareness and participation, i.e. partnering with employers, enlisting tax preparers, running public campaigns, using local influencers, and more. We anticipate that some states will embrace ECCA and will work creatively to raise awareness while some states will take a more passive approach. Regardless, it will take some time to build up participation by taxpayers.

We believe that many taxpayers who can fully offset their donation with a federal tax credit, a group we refer to as "Redirectors," will elect to donate the full amount to an SGO. For these taxpayers, making the donation under ECCA will essentially cost them nothing.[1] Since there is a dollar-for-dollar tax credit, the decision for them amounts to this: Do I send my money to the IRS general fund or do I redirect it to an SGO in my community (or in another state) that is doing important work? We suspect that as awareness of this program grows, many of these "Redirectors" will choose the latter.

For states that are proactive, creative, and persistent, participation rates well above the typical rates for state tax credit programs (roughly 2-3%) is likely. Over time, we believe that **participation rates of 30% or more** for "Redirectors" seem plausible. Click here for calculations.

State	Population (A)	Number of Tax Returns (B)	Percent of Tax Filers with Tax Liability > $1,700 (C)	Estimated Potential "Redirectors" (D)	Estimated Donations (1% Participation)	Estimated Donations (15% Participation)	Estimated Donations (30% Participation)
Alabama	5,076,181	2,149,560	25.19%	541,572	$9,206,724	$138,100,860	$276,201,720
Alaska	734,442	348,250	33.83%	117,828	$2,003,076	$30,046,140	$60,092,280
Arizona	7,377,566	3,373,850	28.10%	947,968	$16,115,456	$241,731,840	$483,463,680
Arkansas	3,047,704	1,295,860	23.37%	302,800	$5,147,600	$77,214,000	$154,428,000
California	39,142,414	18,487,690	32.92%	6,086,650	$103,473,050	$1,552,095,750	$3,104,191,500
Colorado	5,850,935	2,972,380	33.90%	1,007,712	$17,131,104	$256,966,560	$513,933,120
Connecticut	3,617,925	1,823,240	35.09%	639,766	$10,876,022	$163,140,330	$326,280,660
Delaware	1,020,625	503,140	31.04%	156,186	$2,655,162	$39,827,430	$79,654,860
District of Columbia	676,725	348,690	39.13%	136,426	$2,319,242	$34,788,630	$69,577,260
Florida	22,379,312	11,130,320	26.44%	2,942,396	$50,020,732	$750,310,980	$1,500,621,960

ECCA *Calculations*

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Georgia	10,931,805	4,932,040	26.41%	1,302,698	$22,145,866	$332,187,990	$664,375,980
Hawaii	1,440,359	689,960	30.38%	209,614	$3,563,438	$53,451,570	$106,903,140
Idaho	1,944,299	869,500	28.96%	251,848	$4,281,416	$64,221,240	$128,442,480
Illinois	12,621,821	6,112,890	31.62%	1,932,918	$32,859,606	$492,894,090	$985,788,180
Indiana	6,844,545	3,246,780	26.84%	871,394	$14,813,698	$222,205,470	$444,410,940
Iowa	3,202,820	1,485,900	30.60%	454,670	$7,729,390	$115,940,850	$231,881,700
Kansas	2,937,324	1,361,370	28.98%	394,586	$6,707,962	$100,619,430	$201,238,860
Kentucky	4,519,233	1,975,890	24.68%	487,554	$8,288,418	$124,326,270	$248,652,540
Louisiana	4,593,687	1,970,500	23.84%	469,766	$7,986,022	$119,790,330	$239,580,660
Maine	1,390,922	710,860	27.37%	194,554	$3,307,418	$49,611,270	$99,222,540
Maryland	6,192,440	3,095,140	34.90%	1,080,074	$18,361,258	$275,418,870	$550,837,740
Massachusetts	7,022,468	3,567,790	36.69%	1,308,974	$22,252,558	$333,788,370	$667,576,740
Michigan	10,050,877	4,871,390	27.33%	1,331,256	$22,631,352	$339,470,280	$678,940,560
Minnesota	5,721,621	2,871,840	33.28%	955,612	$16,245,404	$243,681,060	$487,362,120
Mississippi	2,941,939	1,245,240	20.78%	258,714	$4,398,138	$65,972,070	$131,944,140
Missouri	6,179,414	2,880,050	27.04%	778,688	$13,237,696	$198,565,440	$397,130,880
Montana	1,122,095	550,380	28.02%	154,240	$2,622,080	$39,331,200	$78,662,400
Nebraska	1,972,246	940,690	29.95%	281,772	$4,790,124	$71,851,860	$143,703,720
Nevada	3,176,116	1,553,270	26.83%	416,766	$7,085,022	$106,275,330	$212,550,660
New Hampshire	1,396,678	731,910	36.61%	267,974	$4,555,558	$68,333,370	$136,666,740
New Jersey	9,295,227	4,638,510	35.57%	1,649,752	$28,045,784	$420,686,760	$841,373,520
New Mexico	2,113,868	987,790	22.76%	224,784	$3,821,328	$57,319,920	$114,639,840
New York	19,703,747	9,767,160	30.62%	2,990,776	$50,843,192	$762,647,880	$1,525,295,760

State	Population (A)	Number of Tax Returns (B)	Percent of Tax Filers with Tax Liability > $1,700 (C)	Estimated Potential "Redirectors" (D)	Estimated Donations (1% Participation)	Estimated Donations (15% Participation)	Estimated Donations (30% Participation)
North Carolina	10,710,793	4,943,390	27.90%	1,379,068	$23,444,156	$351,662,340	$703,324,680
North Dakota	781,057	368,090	33.26%	122,438	$2,081,446	$31,221,690	$62,443,380
Ohio	11,777,874	5,692,070	26.44%	1,505,222	$25,588,774	$383,831,610	$767,663,220
Oklahoma	4,026,229	1,713,370	24.76%	424,296	$7,213,032	$108,195,480	$216,390,960
Oregon	4,247,372	2,030,990	31.16%	632,896	$10,759,232	$161,388,480	$322,776,960
Pennsylvania	12,984,990	6,325,490	29.99%	1,896,956	$32,248,252	$483,723,780	$967,447,560
Rhode Island	1,099,498	568,360	29.60%	168,216	$2,859,672	$42,895,080	$85,790,160
South Carolina	5,287,935	2,481,150	25.77%	639,324	$10,868,508	$163,027,620	$326,055,240
South Dakota	909,723	441,520	29.95%	132,254	$2,248,318	$33,724,770	$67,449,540
Tennessee	7,062,217	3,247,910	26.35%	855,752	$14,547,784	$218,216,760	$436,433,520
Texas	30,113,488	13,641,000	27.71%	3,780,208	$64,263,536	$963,953,040	$1,927,906,080
Utah	3,391,011	1,514,460	31.79%	481,508	$8,185,636	$122,784,540	$245,569,080
Vermont	648,142	336,880	28.82%	97,096	$1,650,632	$24,759,480	$49,518,960
Virginia	8,683,414	4,160,340	34.48%	1,434,280	$24,382,760	$365,741,400	$731,482,800
Washington	7,794,123	3,757,410	37.74%	1,418,202	$24,109,434	$361,641,510	$723,283,020
West Virginia	1,774,122	776,010	24.10%	186,980	$3,178,660	$47,679,900	$95,359,800
Wisconsin	5,903,975	2,940,980	30.13%	886,090	$15,063,530	$225,952,950	$451,905,900
Wyoming	581,978	280,750	31.56%	88,608	$1,506,336	$22,595,040	$45,190,080
Total (National)	334,017,321	158,710,000	29.75%	47,277,682	803,720,594	12,055,808,910	$24,111,617,820

Methodology

Redirectors

We wanted to identify the taxpayers for whom making a $1,700 donation under ECCA would be the equivalent of simply redirecting their money from the IRS to a scholarship granting organization (SGO). As such, we tried to identify the taxpayers who pay at least $1,700 in federal taxes a year.

To calculate the number of "Redirectors," we multiplied the number of tax filers in each state by the percentage of the state's tax filers who had adjusted gross incomes (AGIs) above $85,000. To see the detailed breakdown of our calculations, see the "Est. % Redirectors" tab in the spreadsheet.

Why $85,000 AGI?

We've calculated that nearly every tax filer with an Adjusted Gross Income (AGI) of $85,000 is a potential "Redirector" (ie. has at least $1,700 of federal tax liability). We believe that this is a very conservative AGI amount to use (in other words, it likely underestimates the number of "Redirectors").

In addition, our estimates do not count the donations that taxpayers with AGIs under $85,000 might make; some might donate $1700 and some might donate less than that. After considering our various assumptions and estimates, we believe that the number of "Redirectors" we've calculated is a conservative (ie. low) estimate.

(A) US Census Bureau (2022 Data): https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html
(B) US Internal Revenue Service (2022 Data): https://www.irs.gov/statistics/soi-tax-stats-historic-table-2
(C) See accompanying tab titled "Est. % Redirectors"
(D) These taxpayers will decide whether to send $1,700 to the IRS or to redirect it to an SGO of their preference.

Estimated Donations

To calculate the total number of donations, we estimate the amounts if a given percentage of "Redirectors" donate the maximum amount of $1,700. As mentioned above, this undercounts total contributions because it does not take into account "Redirectors" and other tax filers who would make contributions less than the full amount.

Estimated "Redirector" Participation Rate

For users' convenience, we listed a 1% "Redirector" participation rate. Simple math will allow users to estimate the total donation amount at any % participation level.

For several reasons, it is hard to estimate the expected "Redirector" participation rate. While existing state-level tax credit programs have relatively low participation rates, hovering in the 2-3% range, there is reason to believe that participation rates in ECCA might be higher. Here are some reasons worth considering:

- **Apples to Oranges**

Unlike ECCA, state tax credit programs sometimes carry **aggregate caps** and allow for very large individual contributions. For example, Illinois's program permitted single donations of up to **$1,000,000** but capped the entire program at **$75,000,000**. That created a rational incentive for Scholarship Granting Organizations (SGOs) to focus primarily on a handful of high-net-worth donors, rather than building broad-based participation. As a result, participation rates by the general taxpayer population stayed low, even if total dollars raised were significant.

ECCA is structured differently. With a maximum credit of **$1,700 per taxpayer**, it is not possible to rely on a few mega-donors. To succeed, SGOs must raise money **at scale**, from ordinary taxpayers, at household-level amounts. This structural feature changes the incentive system and makes widespread participation a necessity, not an afterthought.

Similarly, it is possible, if not likely, that ECCA will allow for more leeway than state tax credit systems in the kinds of programs that SGOs can design. Some might provide tuition support for private schools, some might provide tutoring support for public school students, while others might take markedly different, creative approaches. This flexibility might lead to programs that appeal to local donors and drive participation upward.

- **ECCA's National Scale and Visibility**

Unlike fragmented state programs, ECCA is a large federal program that may receive broad media coverage and attract public attention. Aside from helping to raise the number of taxpayer participants, the structure of ECCA is likely to also increase the number of SGOs. Each SGO will have the incentive to proactively market the program and solicit contributions.

- **Supportive Federal Roles**

A proactive, supportive Treasury Department could simplify the claiming process, work with tax preparers, and run awareness campaigns that may make participation more likely.

- **Governor Leadership**

Governors who opt in will have a strong incentive to promote the program locally, potentially boosting taxpayer awareness and participation.

- **Public School Participation**

The fact that public schools can benefit through aligned SGOs means that even families loyal to their local public schools may be encouraged to redirect their tax dollars in this way.

- **Important Caveat**

These calculations treat all tax filers equally, regardless of whether they are married. There is a question about whether the Treasury will allow married couples filing jointly to claim a $3,400 credit rather than $1,700. If this is the case, our estimates would likely increase considerably.

Endnotes

1 There is, in fact, some nuance here. For states that have their own tax credit programs, ECCA prevents taxpayers from double-dipping. In other words, taxpayers who take advantage of education tax credits on their state taxes will not be able to make "cost-less" donations of up to $1,700 for purposes of the federal tax credit. As such, we imagine that some of these taxpayers will not make the full $1,700 contribution, if at all, under ECCA. While this will have the effect of lowering our projections, the number of taxpayers currently participating in state-level tax credit programs is quite low. In addition, throughout our calculations, we made several other conservative estimates that we believe will either entirely or partially balance out this effect.

2 We decided to use the "Married filing jointly" tax rate, which significantly reduces the tax liability of the filer. Using those tax rates, most filers will have a federal tax liability of at least $1,700. If we were to account for the fact that millions of Americans file individual tax returns, and therefore have higher effective tax rates, even AGI's under $40,000 will commonly have federal tax liabilities of at least $1,700. Because of this, by using $85,000 AGI as the cutoff, we are likely underestimating the number of Redirectors.

Additionally, even if it is effectively cost-less for "Redirectors" to make a donation under ECCA, we understand that many families might not have the money, at any given time, to actually make the contribution. Using an AGI of $85,000 allows us to limit the giving amount to roughly 2% of their income, approximately the national average for charitable giving.