Tax Incentive Evaluation: Qualified Education Expense Credit

DOAA summary of report prepared by Georgia State University's Fiscal Research Center (FRC)

The Georgia Qualified Education Expense Credit (O.C.G.A. § 48-7-29.16) was enacted in 2018 to create a state income tax credit for donations toward scholarship programs for Georgia students to attend private schools. The credit is equal to the donation to student scholarship organizations, with limits of $2,500 for individuals and $5,000 for married couples and pass-through entities. The statewide annual cap is $120 million.

PURPOSE

State law does not explicitly identify the purpose of the scholarship program, but the originating bill states that the QEEC provides funding "for a program of education improvement." The law also provides additional school options for some families.

IMPACT ON EMPLOYMENT, ECONOMIC ACTIVITY, AND REVENUE

This credit was not created to result in state-level economic growth but to encourage donations to nonprofit organizations.

FRC estimated a tax expenditure of $88.8 million in FY 2025 for the Qualified Education Expense Credit. Using IMPLAN, a regional input-output model that analyzes economic activity, FRC estimated this amount would result in 2,539 jobs and $138.3 million in value added to the state economy. However, it determined the economic activity would have occurred even in the absence of the tax credit. The credit merely shifted education expenditures from public to private schools, with no impact on the state economy.

The credit does have a fiscal impact on state government. If a scholarship recipient would have enrolled in a public school in the absence of this credit, the state would have provided QBE formula funds for the student in a public school. FRC determined that at least 56% of the scholarship recipients must be motivated by the scholarship for the reduction in education spending would equal the forgone tax revenue. If less than 56%, then the forgone revenue would not be offset by education funding savings.

Employment			Economic Impact			Revenue Impact		
Jobs	Cost/ Job	Labor Income	Output	Value Added	Economic ROI	State Tax Expenditure	State Tax Generated	Fiscal ROI
0	N/A	$0M	$0M	$0M	0%	$88.8M	$0	0%

ANCILLARY IMPACTS

FRC's report noted that one potential public benefit of this scholarship program is access to private schools for children of families that would like to enroll but would not have the income to afford it otherwise. FRC noted 37% of scholarships and 41% of scholarship amounts in 2023 went to children with family income below 125% of the federal poverty level. FRC also noted that research suggests charitable tax credits can improve the efficiency of social spending by providing funds directly to social organizations.

OTHER STATES

FRC found a number of states offer similar tax credit structures for student scholarships to private schools. As of 2025, Georgia's QEEC is one of 22 tax credit-based scholarship programs. Arizona, Florida, Indiana, Louisiana, Ohio, and Wisconsin have enacted extensive programs around vouchers, tax credit-based scholarships, and education savings account school-choice programs.

OPTIONS TO IMPROVE RETURN ON INVESTMENT

Policies targeting scholarships to students who would otherwise attend public schools increase the likelihood that state savings offset forgone revenue.