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# BOB DOLE



(R - Kansas)

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FOR IMMEDIATE RELEASE  
MONDAY, AUGUST 9, 1982

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## STATEMENT OF CHAIRMAN DOLE FROM TUITION TAX CREDITS MARKUP

I have been a long time supporter of providing federal income tax relief for lower and middle income families who carry the additional burden of supporting the public schools while sending their children to private schools. Because of this double burden, an alternative to public education simply is not available to lower income families today and is not available to middle income families without substantial sacrifice. Inflation in recent years has made matters worse.

Yet alternatives to public education contribute to the pluralism that help make our society strong. Alternatives to public education can also help stimulate improvements in our public schools through the competition those alternatives present. A strong system of private schools, available to all income classes, should contribute to a better education for all of our children. And an educated, skilled populace is an essential ingredient in maintaining and improving this Nation's technological and industrial prominence.

### Progress Not Fast Enough?

Some maintain that we have not shown that we are serious about this legislation, that we and the Administration are dragging our feet. Nothing could be further from the truth. This legislation was introduced a bare 6 1/2 weeks ago, at a time when this Committee was preparing to markup one of the more complex and controversial tax bills ever to come from this room--the Tax Equity and Fiscal Responsibility Act of 1982. Hearings were held some 3 weeks later, just 3 weeks ago, and right before full Senate consideration of TEFRA. Now, while we are still in conference with the House on TEFRA, a bill on which rests a good deal of the hope of the financial community for some Congressional showing of fiscal responsibility, we are moving to markup tuition tax credits. Surely, this is as rapid progress as anyone could ever hope for.

### Progress Too Fast?

Indeed, some, even some among the proponents of tuition tax credits, think we are moving too fast and at the wrong time. They point to the burgeoning deficit, the pending tax reform bill and wonder aloud how we can enact another tax expenditure. While I sympathize with their concerns, I do not fully share them. The cost of this bill is relatively small and can, in a responsible fashion, be made smaller. It is not incongruous to act on this bill now.

### Revenue Loss Smaller--Wealthy Will Not Benefit

The Administration has wisely pared the cost of this initiative down by phasing the credit in over 3 years and by phasing the credit out for taxpayers with income between \$50,000 and \$75,000 per year. They have also limited the cost by limiting the credit to elementary and secondary school students. This has made the 3-year (FY '83, '84, and '85) cost only \$1.2 billion. By showing the phase-in even more (for example, \$100 in the first year, \$200 in the second, and \$300 in the third) and by lowering the phase-out for the wealthy to \$40,000 to \$60,000 we can reduce the cost even more--to \$900 million.

Racial Discrimination

The provisions of this bill forbidding schools that discriminate on the basis of race from benefitting from tuition tax credits have also been controversial. I know Senator Packwood has a special concern in this area and I share his concern. While the tough provisions of the bill, as drafted, should do the job, I expect the Committee Report on this bill, assuming it passes, to make crystal clear that these provisions are meant to be tough on those who may discriminate.

Refundability

Another area of concern is the refundability issue. While I generally shy away from refundable tax credits as bad tax policy, it seems to me to be sensible social policy in this case. Why should a poor family with little or no tax liability be denied the opportunity to choose between public and private schools? The 3-year cost of a refundability provision would total only \$51 million. This seems the least we can do for those in the lowest brackets who wish to sacrifice to send their sons and daughters to alternative schools. I hope to offer a Committee amendment to achieve this goal.

TUITION TAX CREDITS SAID TO SIGNAL MAJOR SPENDING CHANGES

If President Reagan's tuition tax credit plan flies, the federal government by 1985 will be spending three times more to educate private schoolchildren than to educate public schoolchildren in the nation's largest cities, says a report released yesterday.

And while the total amount of federal dollars spent on public and private schoolchildren would be comparable, "the bulk of the public school subsidies will be for food while the majority of the federal private school subsidies will be for instruction," says the report prepared by the Council of the Great City Schools and the American Association of School Administrators.

The report was unveiled yesterday afternoon at a Capitol Hill news briefing by Sen. Ernest Hollings, D-S.C., an outspoken opponent of the administration's pending tuition tax credit legislation. A markup of the bill, S. 2673, was scheduled for yesterday but then "indefinitely postponed," according to Senate Finance Committee staff members.

Dual System "These tax credits would promote a dual system of education where the federal government takes away aid from the disadvantaged in our public schools and provides greater aid to the advantaged in our private schools," said Hollings.

Enactment of tuition tax credit legislation "would start another mammoth revenue hemorrhage" at the same time Congress and the president are trying to reduce federal spending, he said. Tuition tax credits would cost the government about \$1.2 billion in tax revenues in 1986, according to Senate Finance Committee estimates.

The report analyzes federal spending since 1980 on public and private schoolchildren in the nation's 65 largest school systems. It projects spending for the 1983-84 and 1984-85 school years by tracing enacted and proposed administration budget policies and by incorporating President Reagan's proposed tuition tax credit plan, which would give the parents of private schoolchildren tax credits of up to \$500 per child by 1985 (ED, April 16).

Ups And Downs Taking all that into account, federal spending on public school instruction would fall from \$207 a child in 1980-81 to \$105 a child in 1984-85, a decrease of 50 percent, according to the report. By comparison, federal dollars spent on teaching private schoolchildren will increase during the same period from \$43 a child to \$329 a child, a rise of 565 percent.

While U.S. Department of Agriculture feeding programs comprised 27 percent of all direct federal aid to the 65 public school districts in 1980-81, they would make up 56 percent by 1984-85, the report says.

"This change in the pattern of funding to large city school systems represents a  
(more)

TUITION TAX CREDITS SAID TO SIGNAL MAJOR CHANGES (Cont.)

major de facto policy change in how the federal government handles urban education," says the report. "It signals a switch in policy from teaching to feeding."

"The tuition tax credits represent a major change in emphasis in that the federal education apparatus would tilt away from the needy and the poor toward those in better circumstances." The 65 cities surveyed include more than 30 percent of all minority children in the country and about one-third of all the poor children, according to the report.

FEDERAL PER-PUPIL SPENDING CHANGES

The following table shows how federal per-pupil spending in 20 of the nation's largest school districts would change if President Reagan's tuition tax credits and budget proposals were enacted in 1983.

	1980-81	1981-82	1982-83	1983-84	1984-85
Birmingham, Ala.					
Public	\$163	\$165	\$151	\$128	\$122
Private	17	16	94	206	312
Boston, Mass.					
Public	305	274	260	183	174
Private	31	31	108	211	315
Buffalo, N.Y.					
Public	400	444	228	199	188
Private	58	58	127	239	339
Chicago, Ill.					
Public	196	185	165	119	113
Private	48	48	123	227	329
Cleveland, Ohio					
Public	\$323	\$286	\$209	\$150	\$136
Private	64	64	140	243	332
Dade County, Fla.					
Public	135	132	117	84	78
Private	16	16	87	199	303
Dallas, Texas					
Public	150	142	117	77	71
Private	40	40	111	276	319
Denver, Colo.					
Public	231	169	139	102	98
Private	28	28	103	215	321
Des Moines, Iowa					
Public	165	167	152	129	123
Private	31	34	102	213	314
Detroit, Mich.					
Public	249	227	202	146	145
Private	49	49	140	246	349
Los Angeles, Calif.					
Public	176	140	116	83	77
Private	29	31	104	214	319
Louisville, Ky.					
Public	99	95	95	81	77
Private	28	21	95	207	313
Minneapolis, Minn.					
Public	218	174	142	110	103
Private	34	30	97	209	315
Nashville, Tenn.					
Public	133	133	120	82	76
Private	20	32	103	214	321
New York, N.Y.					
Public	278	232	199	143	130
Private	80	73	151	256	356
Norfolk, Va.					
Public	343	275	210	149	143
Private	13	13	68	196	301
Oakland, Calif.					
Public	371	260	229	157	149
Private	133	133	211	315	404
Oklahoma City, Okla.					
Public	159	172	154	131	124
Private	10	10	81	191	296
Philadelphia, Pa.					
Public	289	250	215	151	136
Private	42	42	117	227	327
Portland, Ore.					
Public	213	197	183	130	122
Private	27	27	105	209	312

Some figures have been rounded to the nearest dollar. Source: Council of the Great City Schools and the American Association of School Administrators

In addition, the credits would "result in major regional differences" in federal spending, because some regions such as the West and Midwest have far fewer private schoolchildren than do other regions, says the report.

Hollings said the tuition tax credit legislation may be attached to the debt limit bill now moving through Congress. That bill is also being used as a vehicle for school prayer amendments (See story, page 3).

"This sets up a procedural prospect that will deny the House of Representatives the opportunity to fully debate this bill," Hollings said, since the bill will go directly to conference if it is passed by the Senate.

"Now, I know everyone knows I am opposed to tuition tax credits. I do, however, think that it deserves a fair and open debate, not a back-door scheme and that's what its proponents seek."

For information on obtaining copies of the report, send a self-addressed stamped envelope to The National Coalition for Public Education, 1201 16th St. NW, Suite 621, Washington, D.C. 20036, attn.: Tuition Tax Credit Report. --MJJB

THE WHITE HOUSE

WASHINGTON

September 1, 1982

*file  
TTTC*

MEMORANDUM FOR ROBERT B. CARLESON

FROM: PETER J. FERRARA

SUBJECT: Tuition Tax Credits

The attached article from the New York Times (8/31/82) makes an increasingly common, but invalid, argument against the Administration's tuition tax credit proposal. The President and others have argued that the proposal promotes basic equity because it eliminates part of the double payment for school services which patrons of private schools now have to bear, paying the private school's tuition in addition to their taxes for the public schools. The liberals counterargue that this implies that taxpayers should receive a tax rebate whenever they choose a private service over a public one, which they contend is a dangerous principle that would undermine all public services. Thus, the liberals argue, under this principle the rich would get a tax credit whenever they choose care at a private hospital instead of a public facility frequented by low income persons, or when they choose recreation at a country club rather than a public park. It is important that we all recognize exactly how the President's argument on this issue is consistent with Administration policies on other relevant issues, and with basic, widely-recognized principles of public finance.

These basic principles, and general Administration policy as I understand it, indicate that the government should provide services paid for by everyone in only two fundamental circumstances.\* One is where the service is targeted to help the poor. The second is where the service is necessary but cannot be provided by the market because it has the qualities of a public good -- the benefits of the service cannot be denied to those who refuse to pay for it (e.g., national defense, police protection, fire protection, etc.). In other cases, the government should either

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\* (Other forms of government action not involving the provision of a service, such as regulation, may be justified in other circumstances. Moreover, government provision of a service does not necessarily mean the government itself has to produce the service; it could contract out to others for production.)

leave the service to the private market or finance it on the basis of user fees. Thus a park whose amenities everyone enjoys and which cannot be closed off to nonpayers should be publicly financed by all, even those who also partake of country clubs. But certain facilities such as tennis courts, where nonpayers can be excluded from playing, should be left to the private market or financed by user charges on the particular users of the facility, and not those who play exclusively on country club courts (unless the cost is so minimal it is not worth the administrative expenses of user fees). Similarly, public hospital services for the poor should be supported by all, but when the non-poor use a public hospital they should be charged an unsubsidized user fee.

Public school services are not targeted towards the poor. Nor is schooling a public good, strictly defined, for students can be excluded if they do not pay. Allowing tuition tax credits for users of private schools is merely a way of implementing a user fee system for public schools -- in effect only those who use the public schools pay. Our stand on tuition tax credits is thus perfectly consistent with the public finance principles outlined above.

One might argue that education in a sense is a public good since everyone benefits somewhat from participating in a society of educated people, and nonpayers cannot be excluded from enjoying this benefit. Even if we accept this argument as valid, it does not justify charging private school patrons twice and public school patrons once. Quite to the contrary, since everyone benefits from learned people educated in private schools as well as those educated in public schools, this argument suggests that we should provide social subsidies to private schools in addition to allowing patrons thereof out of the double payment inequity. The lack of such an additional subsidy for private schools, while providing it to public schools, is in fact a further inequity, if such a subsidy for public schools can be justified on these grounds in the first place. As a practical matter, however, private school patrons will be perfectly satisfied to carry their own weight without any such social subsidy as long as we end the double payment discrimination. In advancing tuition tax credits, the Administration has merely adopted this moderate, middle-of-the-road view.

We can distinguish education services from other publicly provided services in other ways to justify tuition tax credits, and our proposal can be defended on other grounds besides equity.

But the double payment argument is quite powerful, appeals broadly to the public, and is soundly rooted in fundamental principles of public finance. As these principles are widely taught and accepted, I find the liberal counterargument, as faithfully reflected in the attached article, to be thoughtless and uneducated.

cc: Ed Harper  
Michael Uhlmann  
Kevin Hopkins  
William Barr  
Steve Galebach  
Steve Savas  
Gary Bauer  
William Keyes



CAMBRIDGE, Mass. — The Administration's bill to give tax credits of up to \$500 a year to parents of children attending private schools is firmly based on the quicksand of dubious reasoning.

President Reagan and his supporters argue that it's only fair to reimburse with Federal tax funds any citizen who pays state and local taxes to support public schools and then pays tuition to send his or her kids to private school. This principle — that tax rebates are deserved by anyone who chooses a private service in place of a public one — will find many enthusiastic supporters. Among them will be patrons of private hospitals and mental-health centers who wouldn't be seen dead in a tax-supported facility and members of country clubs who would prefer to avoid the pressures and problems of the public recreation their taxes support. These and numerous other people have the same problem of double costs as the 12 percent of Americans who choose to use private schools. Why do Reaganites argue that tuition is a special burden requiring billions for fairness to parents and leave out others who choose private facilities?

A second inconsistency arises from Mr. Reagan's oft-stated desire to eliminate most of the Federal role in education and return it to the states and localities, where he says it belongs. If this is so, why not let those states and localities pay the bill for private-school tuition rather than laying it on the Federal Government by reducing its tax income and increasing its deficit?

A third dubious argument is a sanctimonious enthusiasm for giving poor people the same option of choosing private schools that rich people have. But what rich people have is really much more than that option. They can spend their money on anything they want. Poor people would like the same privilege, and what they really want is money to spend on what they choose, rather than money they can't get hold of

# Against Tuition Credits

By Harold Howe 2d

at all unless they send their kids to private schools — something most of them don't want to do.

When an Administration behaves so illogically, it's worth trying to discover why it advocates this policy rather than believing what it says about it. On that trail, one finds the following:

- Many of the small minority of parents using private schools are rich and support Mr. Reagan. He'd like to give them a little boost to go with their tax shelters and tax reductions.

- Many others aren't rich but rather average Americans who find it hard to send their kids to private school and hang on to the amenities to which they are accustomed. They like the President's argument and don't want to lose out on lower taxes just because the principle involved is open to abuse.

- Some parents are poor. If they are really poor and pay no taxes, then Mr. Reagan's plan won't help them at all. Senator Daniel Patrick Moynihan is trying to repair the President's plan by making payments to people with no tax liability.

- Eighty percent or more of potential beneficiaries of tuition tax credits send their kids to church-related schools. These schools have had a tough time getting any money from the Government because the courts say the Constitution forbids it. Here, at last, is a way around the Constitution, at least until the Supreme Court can rule on the mat-

ter. Some religious groups hoping for these benefits are strong supporters of Mr. Reagan's policies. Some are not but they're willing to go along for the ride, even in questionable company.

Private schools' general enthusiasm for this proposed legislation is a clear message that they expect to benefit from it — even though the sponsors argue that it's for fairness to parents, not to help schools. Will schools benefit? Not unless they raise tuitions, which is what they are planning to do. The list of private schools willing to pledge to maintain present tuition levels is not long, despite Administration testimony in the Senate that no tuition increases are expected. The Administration witnesses are not naïve; they are just bluffing because they know that the tuition hikes will wipe out parents' benefits.

Will this legislation hurt the public schools? Probably not as much as the shouting about it suggests, although it will to some degree help private education compete with public education more effectively, and it holds the danger of expansion to the point that the competition may become damaging.

Tuition tax credits will place in the law of the land a general principle that we'd do well to avoid: the doctrine that the choice of a private service gives the taxpayer a claim for a rebate on his or her payments for public services. In addition, these credits would use our tax system in two undesirable ways: to give special help to the affluent and as a political payoff. Both constitute questionable policy although both have been done before by our political parties. The tax system is in enough trouble without using it to support private schools that most Americans are happy to have around as long as they don't have to pay for them.

Harold Howe 2d, a senior lecturer at the Harvard Graduate School of Education, was United States Commissioner of Education from 1965 to 1968.

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The Education Foundation

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## ISSUE BRIEF: TUITION TAX CREDITS

Opponents of tuition tax credits have often argued that they are "inequitable" to government schools. Now that the Reagan Administration has given these opponents a specific target to shoot at, they have introduced specific numbers to support his argument. They claim that President Reagan's proposed policies would give private schools larger Federal subsidies than government schools, and that, therefore, those policies should be defeated.

This claim is false. Federal tax and budget policies give government schools massive advantages over private schools, and the only way to remove those advantages would be through changes far more radical than any contemplated by this Administration.

Organizations like the Council of the Great City Schools and the American Association of School Administrators argue that per-pupil Federal aid to private schools would exceed per-pupil Federal aid to government schools by 1985 if the Reagan bill passes. This argument depends on two implicit premises. If either of these two premises is false, so is their conclusion.

**First Premise:** A tax break which helps private schools is the same thing as a direct subsidy.

**Second Premise:** If a tax break helps government schools instead of private schools, it is somehow not the same thing as a subsidy and should not be counted as Federal aid.

A lot of people would disagree with the first premise on the ground that it seems plainly contrary to the principles of a free society. Unless we accept the view that all income rightly belongs to the government, we must reject the proposition that there is no moral or economic distinction between policies which let people keep their own earnings and policies which grant them the earnings of others. To refrain from stealing my sandwich is not the same thing as giving me a free lunch.

But the second premise is even more clearly false. If we are going to compare Federal "aid" to government schools and private schools, we should at least be consistent in our accounting. Any fair comparison will include the revenue loss to the Federal Treasury caused by provisions of the tax system which help government schools. Unlike Reagan's proposed tuition tax credits, these provisions are already in force. Their revenue effects are actually larger than direct Federal spending on government schools through the Department of Education and other Federal agencies. They are much larger than the revenue effects of the proposed tuition tax credits.

It is not easy to calculate the exact size of these revenue losses, since up-to-date figures are not available in all categories. But it is clear that these losses will grow between now and 1985 -- when the proposed tuition tax credits for private education would take full effect. The analysis which follows undoubtedly will understate them.

Property tax payments to local governments are deductible on the taxpayer's Federal income tax return. For owner-occupied homes only, this deductibility will cost Washington an estimated \$10.065 billion in 1982, which will rise to an estimated \$12.105 billion in 1985. The deductibility of other nonbusiness state and local taxes, such as personal income and sales taxes, will cost an estimated \$20.395 billion in 1982 and an estimated \$25.57 billion in 1985. 1/

State and local tax payments from businesses are also deductible, but neither the Treasury Department nor the Congress considers them to be so-called "tax expenditures," and, therefore, no Federal agency estimates the resulting revenue loss. According to the most recent information available from the Internal Revenue Service, corporations paid a total of \$115.6 billion in taxes to state and local governments in 1978. Sole proprietorships paid \$9.4 billion, and partnerships paid \$7.4 billion in the same year. 2/

Barring global convulsion, these figures will have risen substantially between 1978 and 1985. But assume that they remain level. At the corporate tax rate of 46 percent, \$115.6 billion in corporate taxes triggers a Federal revenue loss of \$53.176 billion. If the tax payments from other businesses are only 20 percent deductible, they cause a further revenue loss of \$1.88 billion for sole proprietorships and \$1.48 billion for partnerships. 3/

The 1985 total for all these revenue losses comes to more than \$94.2 billion. (The total would be higher if it included revenue losses caused by the tax-exempt status of state and local revenue bonds.) Under the logic used by opponents of tuition tax credits, this figure represents a "subsidy" to state and local governments from the Federal Government.

Government schools, of course, are not the only recipients of state and local tax dollars. But they are among the largest. In 1980, the most recent year for which figures are available, state and local governments spent a total of \$432.328 billion for all purposes. Government schools received \$92.930 billion of that total, or 21.5 percent. 4/

Assume that the proportion of state and local spending which goes to government schools will be the same in 1985 as in 1980. For simplicity's sake, assume also that government schools receive exactly that proportion of the receipts from each state and local tax discussed above. (In fact, the schools' proportion is considerably higher than local property tax payments, but accurate figures are not available.)

21.5 percent of the Federal Government's estimated \$94.2 billion revenue loss for 1985 works out to \$20.2 billion. Projected 1985 enrollment in government schools is 39,166,000. 5/ Therefore, the Federal tax "subsidy" to government schools will come to about \$517 per student in the year that the Reagan tuition tax credits for private-school students take full effect.

The Reagan proposal would allow a maximum (not an average) tax credit for private-school students of \$500. Kindergarteners are not eligible, nor are the children of parents who do not pay taxes or of parents who earn more than \$75,000 annually. Families who pay less than \$1,000 in tuition are eligible for credits equal to no more than half of their tuition payments. Taking all these conditions into account, the Treasury Department estimates that the 1985 revenue loss caused by the Reagan plan will be \$1 billion. 6/

By 1985, there will be an estimated five million students enrolled in private schools, including many who will receive no "subsidy" at all under the Reagan proposal. 7/ One billion dollars divided by five million students works out to \$200 per private-school student in average Federal "subsidies."

In short, new Federal "aid" to private schools under the Reagan tax credit proposal will come to less than half the "aid" which government schools already receive from the Federal tax system.

For both private and government schools, there are three other forms of Federal "aid" already in existence which would be considered in a truly comprehensive analysis. One is the tax deductibility of voluntary donations to private schools. According to school finance expert Thomas Vitullo-Martin, donations amount to between 30 and 40 percent of private-school revenues. 8/ No figures are available on the size of the resulting Federal revenue loss.

The other two forms of existing "aid" go to government schools. One is the tax-exempt status of state and local bonds, to the extent that these bonds finance schools. The other, which may incontestably be described as a "subsidy" without the quotation marks, is direct grants from the U. S. Department of Education and other Federal agencies. In 1981, this subsidy came to \$384 per pupil in government schools. 9/

If all three of these were taken into consideration, the gap between Federal "aid" to government schools and "aid" to private schools would be even wider. Exactly how much wider is impossible to tell without more extensive research.

But even without such research, it is clear that the Reagan "subsidy" to private schools will come to less than one percent of total government spending -- Federal, state, and local -- on government schools. If "equity" is defined in such a way as to bar any tax relief whatever for parents who choose private schools, then this proposal is inequitable, but not otherwise.

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Lawrence A. Uzzell  
President  
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## NOTES

- 1/ Figures in this paragraph are from "Estimates of Federal Tax Expenditures for Fiscal Years 1982-1987," Publication JCS-4-82 of the Joint Committee on Taxation, U. S. Congress, Washington, D. C., March 8, 1982, pages 12 and 17. Note that they are based on tax payments from individuals only, not businesses.
- 2/ Figures in this paragraph are from the "Statistics of Income Bulletin," Internal Revenue Service, Fall 1981. Note that they represent actual tax payments, not the Federal revenue loss caused by such payments -- unlike the figures in the preceding paragraph.
- 3/ According to Kenneth Simonson of the U. S. Chamber of Commerce, 20 percent is "a very conservative estimate." Telephone conversation with Mr. Simonson, September 1, 1982.
- 4/ Statistical Abstract of the United States: 1981, U. S. Department of Commerce, Washington, D. C., page 284.
- 5/ The Condition of Education, 1982 edition, National Center for Education Statistics, U. S. Department of Education, Washington, D. C., page 44.
- 6/ Briefing materials from the Department of Education on "Reagan Administration Tuition Tax Credit Proposal, April 29, 1982.
- 7/ The Condition of Education, op. cit., page 44.
- 8/ Telephone conversation with Dr. Vitullo-Martin, September 1, 1982. Some of these donations come from individuals whose incomes are too low to make it worthwhile for them to deduct specific charitable or educational contributions.
- 9/ Briefing materials on "Reagan Administration Tuition Tax Credit Proposal," op. cit.

And they found that it was not religion that had prompted the overwhelming majority to choose a religious school whether Protestant or Catholic. It was the desire and the belief that they would get a better education there than they could get in a present day public schools.

Now, I'm a product of the public schools myself in a small town in Illinois. But I believe all of us are aware that there have been changes. I happen to believe that as long as there is independent education in this country, all the way from the lowest grade on up through college and university, then we have academic freedom. I would hate to see the day when all education in our country was tax supported and, therefore, under political guidance and rule. And I think also, the best chance to improve the quality of education which on-the-record has very definitely established that in public schools, under whatever pressures or crowding or whatever, has slumped in comparison to the schools that we're talking about. The best chance we have of raising that level is through competition.

So, we're going to do everything we can. I believe heart and soul and campaigned on this issue. The fairness of it -- the fact that families are paying their full share of the taxes to support the public school system and are still willing to sacrifice on top of that and pay fully the cost for sending their child -- there's no way that this can be construed as some are trying to do, as an assault on the public schools -- or that in any way it is taking anything away from the support of the public schools. And if anyone wants to do a little arithmetic, let them sit down and figure out if these independent schools disappeared tomorrow and the public schools had to pick up the burden of all of the students presently being educated in these other schools, what would happen to

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the taxes of everyone, where would the public facilities come from -- school facilities? So, I've gone on longer than I wanted. If someone here had just -- I know I've only got a second or two before I've got to cross the hall. But if there was a question or two that hasn't been answered in the briefing that you'd like to throw at me just because I'm here, fire away.

Q Mr. President, about the issue of a compromise that you're going to be working out this afternoon with some people on the Finance Committee -- doesn't the issue hinge on segregation? And what kinds of provisions would be acceptable to you for you to strengthen the bill to satisfy some of its critics?

THE PRESIDENT: I have to believe that -- since this will be a tax credit and by the government -- I have to believe that, obviously, such schools would have to meet the standards of intergration and be open to all. And I -- apparently -- I have not seen any evidence that that is not already taking place. The figures that I just gave a moment ago ensure that that is taking place in the schools that we are talking about.

Q Well, Mr. President, do you not think this could be attacked as somewhat of a band-aid approach to education? Shouldn't your administration be trying to upgrade the quality of public education?

THE PRESIDENT: Of course, public education is not a function of the federal government. There is financial aid in recent years to some of these schools. And, as a matter of fact, being able to remember when that began, it was the usual thing of the federal government claiming that there was distress after the federal government had usurped most of the tax sources in the country. And, having created the problem, then, for local rule, the federal government said, oh, we must help you. And, in the beginning, educators opposed that, because they thought that it would interfere with academic freedom. And the federal government insisted, oh, no. It just wanted to help them out financially.

I remember, on one occasion, Francis Kepple was the Director of Education at the time at the federal level -- and he said they had absolutely no intention of interfering in any way. And some of the educators who were debating this issue had proposed a tax credit idea of contributions to schools, whether public or independent,

MORE

of a certain amount, and so let the government -- they would know better -- set the amount, and wouldn't this be direct aid then financially -- a tax credit for a contribution to a school, whether public or private, keeping open the competitive idea. And why wouldn't such a thing work? And after days and days of debate Mr. Kepple gave away more than he had intended. He suddenly grew impatient and he blurted out, "Well, under such a system we couldn't achieve our social objectives."

This was from a man that had said there would not be any government social objectives, there would just be financial aid. No, I think that the federal government has done what it can to insure that in the running of the public schools, they must live up to our Constitution, which they did not always do as we know, and some years ago there had to be some rather drastic action to bring that about.

That is the function of the federal government, to insure that anyone's constitutional rights are being observed and to go wherever the government has to go to see that that does take place. But I -- know, I don't think that -- If you look at some of the figures in the public school system in recent years, you will find that the federal government has more than matched its financial aid with interference in the running of schools, and I believe that this is what has led to the deterioration of quality -- that the federal government has imposed out of all proportion -- I think the federal government puts up about 8 percent of the cost of public education, but it interferes far more than 8 percent in the things that it imposes and demands of the public schools.

MR. GERGEN: Sir, you have a 1:00 pm appointment.

THE PRESIDENT: All right. Well, there was one hand down here that -- Father.

Q Mr. President, what is your assessment of the possibility in the country for a human life amendment, an anti-abortion amendment of any kind?

THE PRESIDENT: The one that is presently being blocked by a filibuster I know has been in a sense cluttered up with a lot of extra and extraneous other resolutions which have weakened support for it and probably is one of the reasons that we are apparently not able to get cloture to shut off the filibuster.

MORE

October 15, 1982

Once again I am delighted to send my greetings to all who gather for the annual meeting of the Chief Administrators of Catholic Education. I appreciate this opportunity to comment on our shared concern in the subject of tuition tax credits. Tuition tax credit legislation is one of the foremost priorities of this Administration.

As you know, I firmly believe that the fundamental authority over a child's education rests with his family. Parents have a right -- indeed, a responsibility -- to have their children educated in accordance with their own values. The Supreme Court long ago recognized the right of parents to choose. But the inflation of the 1960's and 70's made it difficult for families of modest and moderate means to exercise that right. Tuition tax credits would restore the effective authority of parents over their children's education, support pluralism, and build up our public schools by the healthy forces of competition. Tuition tax credits would enable parents to make a different educational choice if they wish.

Last April, when I spoke to you at the N.C.E.A. Convention, I told you the time was ripe to move forward vigorously on tuition tax credit legislation since important provisions of our Economic Recovery Program were in place.

On June 22 I sent tuition tax credit legislation to Congress. We developed the bill in close consultation with all interested groups and, as a result, have the active support of the broadest possible coalition of Catholic, Jewish, Protestant and non-sectarian groups. Many of the groups supporting our bill have previously not been able to reach agreement. Achieving this consensus was an important accomplishment, and we must maintain it if we are to be successful.

Some opponents of tuition tax credits charge that allowing such credits would be harmful to the interests of racial minorities. Nothing could be further from the truth. I have made it clear on a number of occasions that tuition tax credits must not be used to promote racial discrimination. Our bill contains strong and unequivocal prohibitions against racial discrimination. It gives the Department of Justice enforcement authority. It provides the Attorney General with all the tools he needs to enforce the non-discrimination requirements. Moreover, as all of you know, minorities will be among the chief beneficiaries of tuition

tax credits. Minority parents want a choice between public and private schools. In Catholic schools, fully 19 percent of the students are members of a racial minority. Our bill will help these families and bring a real choice to many more who presently do not have it.

When we transmitted the bill to Congress, there was still enough time to get it passed during the regular session. We worked hard to move it along. On several occasions, I met personally with key Congressional leaders to stress the high priority of this legislation and to ask for their support. I also wrote and phoned a number of Senators to press for quick and favorable action on the bill. We have had four cabinet officers and the White House legislative staff directly and intensively involved in these efforts.

However, we ran into serious obstacles in the Senate Finance Committee. Efforts were made there to tack on amendments that would have killed the bill by subjecting all private schools to the unfettered fiat of the IRS with absolutely no protections against heavy-handed abuse. Not only were these amendments unacceptable as a matter of policy, but they would have destroyed our winning coalition and, with it, any chance of successful floor action. With hard work and the help of Senator Dole's leadership, we thwarted these attempts to kill the bill and got it reported out of the Senate Finance Committee in reasonably good shape. Unfortunately, through these maneuverings, the opponents of tuition tax credits were able to delay the bill so there was not enough time to get action on it during the regular session.

I have asked my staff to hold a meeting with all interested groups immediately following the elections to decide upon the best legislative strategy for winning passage of this bill. I pledge that I will continue to do everything I can to get this bill enacted. If we are not successful in the lame duck session, we will press all the more vigorously in the first session of the 98th Congress.

I want to thank the Catholic community for their support in this matter. I particularly appreciate the efforts of Virgil Dechant of the Knights of Columbus, Monsignor Jack Meyers of the N.C.E.A., and Monsignor Ed Spiers and Len DeFiore, who have worked tirelessly for tuition tax credits and whose support proved invaluable.

You have my best wishes for a most successful and enjoyable annual meeting.

TO JACK BURGESS FOR DISPATCH.

**RONALD REAGAN**

RR:Barr/Livingston:emu  
cc: K.Osborne/D.Livingston/B.Barr/CB  
DUE: OCTOBER 15

*Bull, FYI*

DOCUMENT NO. 102880

*file TTL*

PD

**OFFICE OF POLICY DEVELOPMENT**

**STAFFING MEMORANDUM**

DATE: 12/30/82 ACTION/CONCURRENCE/COMMENT DUE BY: FYI

SUBJECT: Tuition Tax Credit/Congressional Mail

	ACTION	FYI		ACTION	FYI
HARPER	<input type="checkbox"/>	<input type="checkbox"/>	DRUG POLICY	<input type="checkbox"/>	<input type="checkbox"/>
PORTER	<input type="checkbox"/>	<input type="checkbox"/>	TURNER	<input type="checkbox"/>	<input type="checkbox"/>
BARR	<input type="checkbox"/>	<input type="checkbox"/>	D. LEONARD	<input type="checkbox"/>	<input type="checkbox"/>
BLED SOE	<input type="checkbox"/>	<input type="checkbox"/>	OFFICE OF POLICY INFORMATION		
BOGGS	<input type="checkbox"/>	<input type="checkbox"/>	HOPKINS	<input type="checkbox"/>	<input type="checkbox"/>
BRADLEY	<input type="checkbox"/>	<input type="checkbox"/>	COBB	<input type="checkbox"/>	<input type="checkbox"/>
CARLESON	<input type="checkbox"/>	<input type="checkbox"/>	PROPERTY REVIEW BOARD	<input type="checkbox"/>	<input type="checkbox"/>
DENEND	<input type="checkbox"/>	<input type="checkbox"/>	OTHER		
FAIRBANKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
FERRARA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GALEBACH	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GARFINKEL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GUNN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
B. LEONARD	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LI	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
MONTOYA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
ROCK	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
ROPER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SMITH	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
UHLMANN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
ADMINISTRATION	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

*Please return this tracking sheet with your response*

Edwin L. Harper  
Assistant to the President  
for Policy Development  
(x6515)

Wblman. FYI

December 27, 1982

Dear Jim:

The President has asked me to thank you for your letter dated December 14 and to reassure you of his continued strong support for tuition tax credit legislation. We certainly appreciate your taking the time to reiterate your interest and concern in this regard, and your letter is also being shared with the appropriate policy advisers so that they, too, may have the benefit of your thoughts on this very important issue.

With best wishes,

Sincerely,

Kenneth M. Duberstein  
Assistant to the President

The Honorable James L. Nelligan  
House of Representatives  
Washington, D.C. 20515

cc: Ed Harper w/copy of incoming, FYI

KMD:CMF:vml--

1711 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
(202) 225-6511

19 NORTH RIVER STREET  
WILKES-BARRE, PENNSYLVANIA 18702  
(717) 824-3796

115 EAST 7TH STREET  
BLOOMSBURG, PENNSYLVANIA 17815  
(717) 784-0241

145 EAST BROAD STREET  
HAZLETON, PENNSYLVANIA 18201  
(717) 455-9575

P.O. Box 359  
LEHIGHTON MUNICIPAL BUILDING  
LEHIGHTON, PENNSYLVANIA 18235  
(215) 377-0383

JAMES L. NELLIGAN  
11TH DISTRICT, PENNSYLVANIA

**Congress of the United States**  
**House of Representatives**  
**Washington, D.C. 20515**

December 14, 1982

ARMED SERVICES COMMITTEE  
COMMITTEE ON VETERANS'  
AFFAIRS  
TASK FORCE ON ENERGY  
CHAIRMAN. COAL  
SUBCOMMITTEE  
TASK FORCE ON HEALTH AND  
ENVIRONMENT  
NORTHEAST-MIDWEST  
CONGRESSIONAL COALITION  
CAUCUSES:  
TOURISM, TEXTILE, STEEL  
REPUBLICAN STUDY COMMITTEE  
AD HOC CONGRESSIONAL COMMITTEES:  
BALTIC STATES AND UKRAINE  
IRISH AFFAIRS

President Ronald Reagan  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

115318

Dear Mr. President:

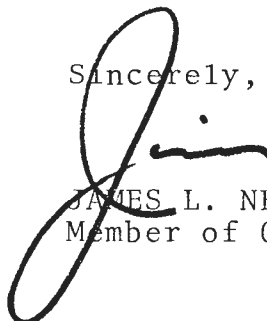
I would like to take this opportunity to reaffirm my strong support of tuition tax credits, and ask your continued support of this very important proposal.

Tuition tax credits help ensure that those who choose non-public education for their children will not be denied that choice because they lack the financial means. In light of our declining public school system, particularly in large cities, parents are becoming increasingly concerned about the quality of the education their children are receiving. I believe tuition tax credits are a desirable means of ensuring educational choice for all.

Recently, thousands of my constituents wrote to me in support of tuition tax credits. As an original cosponsor of H.R. 6701, the "Educational Opportunity and Equity Act of 1982", I firmly believe in the need for this legislation as a means of maintaining educational diversity, competition between public and non-public schools, and freedom of choice for parents and students.

I urge you, Mr. President, to continue the efforts of your Administration and give your full support to tuition tax credit legislation.

Sincerely,

  
JAMES L. NELLIGAN  
Member of Congress

JLN/tf

THE WHITE HOUSE  
WASHINGTON

January 6, 1983

MEMORANDUM FOR ELIZABETH H. DOLE  
EDWIN L. HARPER

FROM: JACK BURGESS  
BILL BARRA

SUBJECT: Recommendations on Tuition Tax Credits

On January 5, we met with representatives of the tuition tax credit coalition, including people from the Citizens for Educational Freedom, the United States Catholic Conference, Council for American Private Education and the Evangelical Christian school movement. Also present at the meeting were Ken Cribb of Ed Meese's staff, and Bob Kabel from Legislative Affairs.

There was consensus among the coalition members that there is a morale problem among the grass-roots supporters of tuition tax credits, because they have been "up and down the hill" so many times. The coalition reported that it was imperative that the Administration show, by strong and decisive steps, that it was serious about pushing the legislation through Congress as early as possible. Chuck O'Malley of the Department of Education, who has recently been out on the hustings, strongly confirmed this assessment.

The coalition members jointly called for the following action:

1. Introduction of a tuition tax credit bill within the first few weeks of the new session. They asked for a bill essentially the same as the one that was favorably reported out of the Senate Finance Committee last Congress with three exceptions: (i) deletion of provision concerning state truancy laws; (ii) deletion or watering down of a provision concerning handicap education; and (iii) deletion of Bradley/Dole amendment that deferred credits until after the Bob Jones dispute is resolved. This last point they would leave to the Administration's judgment, after soundings had been taken with the Senate Finance Committee.
2. Inclusion of tuition tax credits in the budget submission.
3. Highly visible action by the President pressing for early enactment. They specifically requested that the President mention tuition tax credits in the State of the Union Address.



Recommendations

Based on this meeting, we recommend taking the following action as soon as possible:

1. Consultation with Senator Robert Dole, conveying to him our desire for quick Senate Finance Committee action on tuition tax credit legislation.
2. Final drafting of a tuition tax credit bill after we consult with key Senate Finance Committee members.
3. Begin enlisting co-sponsors to introduce the bill at the earliest possible time in the House and Senate.
4. Inclusion of reference to tuition tax credits in the State of the Union Address.

We ask that you forward these recommendations to the appropriate members of the Senior Staff for action as soon as possible.

Thank you.

CEF

Louisiana Federation

CITIZENS FOR EDUCATIONAL FREEDOM

P.O. Box 53244 • New Orleans, La. 70153 • (504) 522-7469

January 26, 1983

President Ronald Reagan  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President:

I wish to compliment you on the State of the Union message you delivered to the joint session of Congress Tuesday night. Of particular interest to me was the emphasis you placed on education and your support of tuition tax credits for parents of elementary and secondary nonpublic school children.

In view of this commitment to the tuition tax credit proposal, I wish to offer a suggestion which I feel will enhance your standing with the Catholic community.

Before sending tuition tax credit legislation to the Congress, I would urge that you personally give a briefing to the State Deputies of the Knights of Columbus and the State Regents of the Catholic Daughters of the Americas. Both Catholic organizations are on record in full support -- financially and otherwise -- of your proposal. There would be no better way to get your message to Catholics -- many in the blue collar category -- than through these two groups which represent in excess of four million members.

Again, congratulations on a well thought-out program to keep our country moving into a direction of stability.

With best wishes, I am

Sincerely,



Kirby J. Ducote  
Executive Director

KJD:js

# WHITE HOUSE STAFFING MEMORANDUM

DATE: February 15 ACTION/CONCURRENCE/COMMENT DUE BY: 4:00 p.m. TODAY

SUBJECT: FACT SHEET RE TUITION TAX CREDITS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HARPER	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WILLIAMSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VON DAMM	<input type="checkbox"/>	<input type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	BRADY/SPEAKES	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>BAKSHIAN</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Remarks:**

Please provide any edits/comments by 4:00 p.m. today.

Thank you.

*Richard G. Darman*  
 FEB 15 4 10 PM '68

Richard G. Darman  
 Assistant to the President  
 (x2702)

**Response:**



OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

February 15, 1983

MEMORANDUM FOR THE HONORABLE CRAIG L. FULLER  
ASSISTANT TO THE PRESIDENT  
FOR CABINET AFFAIRS

Subject: Comments on the Fact Sheet

Treasury has no comments on the fact sheet regarding  
tuition tax credits.

A handwritten signature in black ink, appearing to be "DL" or "D.L. Chew".

David L. Chew  
Executive Assistant  
to the Secretary

*Bergen*

Document No. \_\_\_\_\_

# WHITE HOUSE STAFFING MEMORANDUM

DATE: February 15 ACTION/CONCURRENCE/COMMENT DUE BY: 4:00 p.m. TODAY

SUBJECT: FACT SHEET RE TUITION TAX CREDITS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	GERGEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HARPER	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROLLINS	<input type="checkbox"/>	<input type="checkbox"/>
CLARK	<input type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WILLIAMSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>BAKSHIAN</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Remarks:**

Please provide any edits/comments by 4:00 p.m. today.

Thank you.

*11:00 2/15*

Richard G. Darman  
Assistant to the President  
(x2702)

**Response:**

*Question on page 2 re income  
pomer minor edits  
D. Bergen / M. Baroody*

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

February 14, 1983

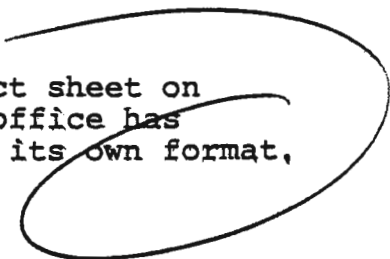
'83 FEB 15 A8:46

FOR: EDWIN L. HARPER  
ROGER B. PORTER

FROM: WILLIAM P. BARR *WPB*

SUBJECT: Fact Sheet on Tuition Tax Credits

Per your request, attached is a draft fact sheet on tuition tax credits. In the past, the press office has rerun this on its own stationary according to its own format,



## Tuition Tax Credit

### FACT SHEET

On June 22, 1982, President Reagan submitted to the 97th Congress legislation to provide tuition tax credits to parents whose children attend private elementary and secondary schools.

The President's bill was favorably reported by the Senate Finance Committee on September 23, 1982, but no further action was taken in the 97th Congress.

The President has now submitted his tuition tax credit bill to the 98th Congress and has called upon Congress to give enactment of the bill "the highest priority."

### BACKGROUND

All parents have a fundamental right and responsibility to direct the education of their children in a way that best serves their individual needs and aspirations. Private schools provide an essential means for many in fulfilling their aspirations.

*will* The President's tuition tax credit legislation will provide tax relief to the working families of nonpublic school students, and expand the ability of American parents to exercise educational freedom of choice.

Educational opportunity and choice in a pluralistic society require a diverse range of schools -- public and private.

This choice raises issues of tax equity for those who carry the double burden of supporting both private and public school costs.

A tuition tax credit would assist these working families in meeting the increasing costs of nonpublic education. While still paying local taxes to support public schools, these families would be able to recover up to half the cost of each child's tuition.

- o Only parents who send their children to tax exempt, nonprofit, educational institutions at the elementary and secondary level could claim the credit.
- o In no case could parents who choose to send their children to schools which discriminate on the basis of race, color, or national origin claim the credit.
- o Nothing in the legislation would alter or interfere with the ability of the States to enact laws and regulations with respect to the operation of schools within the borders of the individual States; or with other rights and powers of the States.

- o Nothing in the legislation would create a basis for enabling the Federal Government to dictate policy to the schools. The credit would benefit individuals and would not make any funds available to the schools themselves.

## MAJOR CONCEPTS

The major concepts of the Administration's proposal include:

### Tax Equity

On the one hand, parents who choose to have their children educated at a nonpublic school must bear the constantly escalating tuitions which these schools must charge to survive. On the other hand, these same parents support public education through taxes which are paid by all citizens.

For many working parents, this dual financial burden is too great to permit them to exercise the right to send their children to the nonpublic school of their choice. Therefore, tax relief is necessary as a matter of equity if these families are to continue to exercise educational choice. A majority of all parents who had children enrolled in private elementary and secondary schools had incomes of less than \$25,000. More than 80 percent of the parents of children enrolled in private schools earn less than \$30,000 a year.

### Limited Coverage

The credit would be restricted to parents of children in private, nonprofit, elementary or secondary schools. These parents bear the heaviest double burden of meeting educational responsibilities to their children in ways they deem most appropriate.

### A Phase-In of the Credit

The nonrefundable credits would be phased in over a three-year period. Parents could claim:

A maximum of 50 percent of tuition paid for each child up to a maximum credit per child of:

\$100 in 1983  
\$200 in 1984  
\$300 in 1985

*is this  
1979 data?*



### Income Limitations

The credit would phase-out for families according to income level to insure that it would be used to meet the needs of working lower and middle income families. These families are suffering most from taxation and the need to meet their growing educational expenses. A full credit would be available only to those families with adjusted gross incomes up to \$40,000 and would phase-out entirely at \$60,000.

### Eligible Institutions

Parents would be eligible for the tax credit only if they sent their children to private schools which are nonprofit and do not discriminate on the basis of race, color, or national origin.

### Tuition Expenses

Tuition expenses would include required course fees and all other normal tuition fees, but would not include books, supplies, meals, or transportation costs.

## STRONG ANTI-DISCRIMINATION PROTECTION

This Administration will not tolerate the use of tuition tax credits to foster racial discrimination. Consequently, the bill contains strong provisions to ensure that no credits will be permitted for amounts paid to schools that follow racially discriminatory policies. These provisions are identical to those that were adopted by the Senate Finance Committee last Fall with broad bipartisan support.

A school follows a racially discriminatory policy if it refuses, on account of race, either to admit student applicants or to allow students full participation in the school and its programs.

Triple anti-discrimination enforcement mechanisms have been written into the bill.

(1) IRS Code section 501(c)(3): A tax credit cannot be claimed unless the school is a tax exempt organization under section 501(c)(3). The bill does not become effective (and no credits can be taken) until by act of Congress or by decision of the Supreme Court it is determined that, under the Internal Revenue Code, 501(c)(3) tax exemptions cannot be granted to private educational institutions maintaining a racially discriminatory policy.

(2) Civil action by U.S. against school: If a person is discriminated against under a school's racially discriminatory policy, the Attorney General is authorized to file an action on behalf of the United States against the school.

(3) Perjury Prosecution: No credit can be taken unless the school files a statement every year attesting that it has not followed a racially discriminatory policy. The statement must be made under oath and is subject to the penalties for perjury.

#### MAJOR BENEFIT TO LOWER AND MIDDLE INCOME FAMILIES

According to a study by the Bureau of the Census in the Fall, 1979, more than 50 percent of children enrolled in private schools came from families with incomes below \$25,000. Hence, the majority of benefits of the tuition tax credit would be paid to moderate and low income families. Moreover, since the proposal is a credit, the dollar benefit is the same to all, unlike a deduction which would provide a greater benefit for individuals in higher tax brackets.

#### RACIAL AND ETHNIC MINORITIES WILL BENEFIT

Contrary to popular misconceptions, minority enrollment in private schools is significant. According to that same Bureau of Census 1979 study, in all United States central cities in the standard metropolitan statistical areas 16 percent of all private school enrollees were Black, while Hispanic and other non-white students constituted 12 percent of the private school enrollment. In Washington, D.C., 80 percent of private school enrollees are Black. Thus Blacks and other minorities are currently well situated to take advantage of the tuition tax credits proposed in the Administration bill.

2/15  
Have  
1. OPD  
2. Baroody  
review &  
make change  
C

THE WHITE HOUSE  
WASHINGTON

February 15, 1983

NOTE FOR CRAIG L. FULLER

RE: Fact Sheet on Tuition Tax  
Credits -- 073122CA

Education's comments are as follows:

Page 1, 2d paragraph, first line,  
insert after "bill": "with bipartisan  
support". In same sentence, insert  
after "reported": "with amendments".

Page 2, 2d paragraph under "Tax  
Equity" subheading, last sentence:  
"earn" should read "earned" and  
"\$30,000" should read "\$50,000."

Comments from Roger Clegg, Special  
Assistant to the AG, follow:

Re bottom of page 2 (dollar figures  
and year), Clegg questions whether  
1982 should/should not be included.  
He stated that the bill originally  
proposed last session did not pass.  
Therefore, if this fact sheet is  
largely last year's, maybe it should  
be changed.

Re top of page 2, first sentence,  
Clegg stated that "It may not be  
with the anti-discrimination provision,  
but that's a matter of definition."

Treasury has "no comment."

## Tuition Tax Credit

### FACT SHEET

On June 22, 1982, President Reagan submitted to the 97th Congress legislation to provide tuition tax credits to parents whose children attend private elementary and secondary schools.

The President's bill, with amendments, was favorably reported with bipartisan support by the Senate Finance Committee on September 23, 1982, but no further action was taken in the 97th Congress.

The President has now submitted to the 98th Congress a tuition tax credit bill that is substantially the same as the one reported by the Senate Finance Committee last year. He has called upon Congress to give enactment of the bill "the highest priority."

#### BACKGROUND

All parents have a fundamental right and responsibility to direct the education of their children in a way that best serves their individual needs and aspirations. Private schools provide an essential means for many in fulfilling their aspirations.

The President's tuition tax credit legislation will provide tax relief to the working families of nonpublic school students, and will expand the ability of American parents to exercise educational freedom of choice.

Educational opportunity and choice in a pluralistic society require a diverse range of schools -- public and private.

This choice raises issues of tax equity for those who carry the double burden of supporting both private and public school costs.

A tuition tax credit would assist these working families in meeting the increasing costs of nonpublic education. While still paying local taxes to support public schools, these families would be able to recover up to half the cost (subject to the limits shown below) of each child's tuition.

- o Only parents who send their children to tax exempt, nonprofit, educational institutions at the elementary and secondary level could claim the credit.
- o In no case could parents who choose to send their children to schools which discriminate on the basis of race, color, or national origin claim the credit.

- o Nothing in the legislation would alter or interfere with the ability of the States to enact laws and regulations with respect to the operation of schools within the borders of the individual States; or with other rights and powers of the States.
- o Nothing in the legislation would create a basis for enabling the Federal Government to dictate policy to the schools. The credit would benefit individuals and would not make any funds available to the schools themselves.

### MAJOR CONCEPTS

The major concepts of the Administration's proposal include:

#### Tax Equity

On the one hand, parents who choose to have their children educated at a nonpublic school must bear the constantly escalating tuitions which these schools must charge to survive. On the other hand, these same parents support public education through taxes which are paid by all citizens.

For many working parents, this dual financial burden is too great to permit them to exercise the right to send their children to the private school of their choice. Therefore, tax relief is necessary as a matter of equity if these families are to continue to exercise educational choice.

#### Limited Coverage

The credit would be restricted to parents of children in private, nonprofit, elementary or secondary schools. These parents bear the heaviest double burden of meeting educational responsibilities to their children in ways they deem most appropriate.

#### A Phase-In of the Credit

The nonrefundable credits would be phased in over a three-year period. Parents could claim:

A maximum of 50 percent of tuition paid for each child up to a maximum credit per child of:

\$100 in 1983  
\$200 in 1984  
\$300 in 1985

### Income Limitations

The credit would phase-out for families according to income level to insure that it would be used to meet the needs of working lower and middle income families. These families are suffering most from taxation and the need to meet their growing educational expenses. A full credit would be available only to those families with adjusted gross incomes up to \$40,000 and would phase-out entirely at \$60,000.

### Eligible Institutions

Parents would be eligible for the tax credit only if they sent their children to private schools which are nonprofit and do not discriminate on the basis of race, color, or national origin.

### Tuition Expenses

Tuition expenses would include required course fees and all other normal tuition fees, but would not include books, supplies, meals, or transportation costs.

## STRONG ANTI-DISCRIMINATION PROTECTION

This Administration will not tolerate the use of tuition tax credits to foster racial discrimination. Consequently, the bill contains strong provisions to ensure that no credits will be permitted for amounts paid to schools that follow racially discriminatory policies. These provisions are identical to those that were adopted by the Senate Finance Committee last fall with broad bipartisan support.

A school follows a racially discriminatory policy if it refuses, on account of race, either to admit student applicants or to allow students full participation in the school and its programs.

Triple anti-discrimination enforcement mechanisms have been written into the bill.

(1) IRS Code section 501(c)(3): A tax credit cannot be claimed unless the school is a tax exempt organization under section 501(c)(3). The bill does not become effective (and no credits can be taken) until by act of Congress or by decision of the Supreme Court it is determined that, under the Internal Revenue Code, 501(c)(3) tax exemptions cannot be granted to private educational institutions maintaining a racially discriminatory policy.

(2) Civil action by U.S. against school: If a person is discriminated against under a school's racially discriminatory policy, the Attorney General is authorized to file an action on behalf of the United States against the school.

(3) Perjury Prosecution: No credit can be taken unless the school files a statement every year attesting that it has not followed a racially discriminatory policy. The statement must be made under oath and is subject to the penalties for perjury.

#### MAJOR BENEFIT TO LOWER AND MIDDLE INCOME FAMILIES

According to a study by the Bureau of the Census in the fall, 1979, more than 50 percent of children enrolled in private schools came from families with incomes below \$25,000. Hence, the majority of benefits of the tuition tax credit would be paid to moderate and low income families. Moreover, since the proposal is a credit, the dollar benefit is the same to all, unlike a deduction which would provide a greater benefit for individuals in higher tax brackets.

#### RACIAL AND ETHNIC MINORITIES WILL BENEFIT

Contrary to popular misconceptions, minority enrollment in private schools is significant. According to that same Bureau of Census 1979 study, in all United States central cities in the standard metropolitan statistical areas 16 percent of all private school enrollees were Black, while Hispanic and other non-white students constituted 12 percent of the private school enrollment. In Washington, D.C., 80 percent of private school enrollees are Black. Thus Blacks and other minorities are currently well situated to take advantage of the tuition tax credits proposed in the Administration bill.

Clarkson



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

FEB 15 1983

MEMORANDUM FOR: Richard Darman  
FROM: Kenneth Clarkson *KC*  
SUBJECT: Fact Sheet on Tuition Tax Credits

We have reviewed the fact sheet on tuition tax credits and made some suggested revisions on the attached draft. We have two major concerns, as follows:

- The legislative history of the bill as described in the opening section should make clear that this proposal, although similar, is not identical to the President's initial proposal or to the Senate Finance Committee bill.
- We are unable to validate the data provided regarding income levels of families with children in private schools.
  - The fact sheet refers to data collected in a 1979 CPS data collection survey. The fact sheet states that more than 50% of children enrolled in private schools came from families with incomes below \$25,000, and that more than 80% of private school parents earned less than \$30,000 a year.
  - Sources at Treasury tell us that the 1979 survey did show that more than 50% of private school parents had incomes less than \$25,000, and that 89% had incomes up to \$50,000. The \$30,000 income break was not used in this survey, but from the data available it appears doubtful that more than 80% would have had incomes less than \$30,000.
  - The value of the data from the 1979 survey is questionable. Treasury staff believe participants in this particular survey have historically understated their income levels. Furthermore, the survey was completed again in the fall of 1981 and the newer data will become available in the next few weeks.



-- Another data set, possibly more valid and reliable, is the IRS tax model which was used to calculate the estimated revenue losses associated with this proposal. This model shows that 47.5% of families with private school children have incomes under \$30,000, and 82% have incomes under \$50,000.

We would suggest that before releasing this fact sheet, your staff should consult with Treasury and the Education Department to be sure we cite data both agencies will defend. This information will surely be given careful scrutiny by opponents of this legislation.

MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

February 14, 1983

'83 FEB 15 A8:46

FOR: EDWIN L. HARPER  
ROGER B. PORTER

FROM: WILLIAM P. BARR *WB*

SUBJECT: Fact Sheet on Tuition Tax Credits

Per your request, attached is a draft fact sheet on tuition tax credits. In the past, the press office has rerun this on its own stationery according to its own format.

Legislation incorporating  
most of the provisions of  
the President's

## Tuition Tax Credit

### FACT SHEET

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#### BACKGROUND

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The President's tuition tax credit legislation will provide tax relief to the working families of nonpublic school students, and will expand the ability of American parents to exercise educational freedom of choice.

Educational opportunity and choice in a pluralistic society require a diverse range of schools — public and private.

This choice raises issues of tax equity for those who carry the double burden of supporting both private and public school costs.

A tuition tax credit would assist these working families in meeting the increasing costs of nonpublic education. While still paying local taxes to support public schools, these families would be able to recover up to half the cost of each child's tuition. (subject to the limits shown below)

- o Only parents who send their children to tax exempt, nonprofit, educational institutions at the elementary and secondary level could claim the credit.
- o In no case could parents who choose to send their children to schools which discriminate on the basis of race, color, or national origin claim the credit.
- o Nothing in the legislation would alter or interfere with the ability of the States to enact laws and regulations with respect to the operation of schools within the borders of the individual States; or with other rights and powers of the States.

- o Nothing in the legislation would create a basis for enabling the Federal Government to dictate policy to the schools. The credit would benefit individuals and would not make any funds available to the schools themselves.

MAJOR CONCEPTS

The major concepts of the Administration's proposal include:

Tax Equity

On the one hand, parents who choose to have their children educated at a nonpublic school must bear the constantly escalating tuitions which these schools must charge to survive. On the other hand, these same parents support public education through taxes which are paid by all citizens.

For many working parents, this dual financial burden is too great to permit them to exercise the right to send their children to the ~~nonpublic~~ school of their choice. Therefore, tax relief is necessary as a matter of equity if these families are to continue to exercise educational choice. ~~For a majority of all parents who had children enrolled in private elementary and secondary schools had incomes of less than \$25,000. More than 80 percent of the parents of children enrolled in private schools earn less than \$30,000 a year.~~

private  
~~check these figures with Education & Treasury~~

According to a Census survey conducted in the fall of 1979,

Limited Coverage

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~~Verify with Treasury, Education~~

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(OVER)

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# # # # #

## TUITION TAX CREDITS

### Initiative

The President will re-propose to Congress tuition tax credit legislation based upon the bill reported out of Senate Finance Committee last Congress.

The President will call for swift Congressional action in the State of the Union Message.

Tuition tax credits will be among our highest priorities of the Administration's legislative agenda for 1983.

Merely pushing tuition tax credits will not get us much credit any longer. We must get results -- at least in the Senate. If we do not, we will suffer grave damage.

### Theme

Diversity in educational opportunity has been a great strength of our nation. It is important to the continued vitality of our society that parents have a meaningful choice between public and private education. If we are going to preserve free choice, especially for low-income families, we must find a way to lighten "double burden" on families who choose private education.

The President's proposal provides needed relief. It also contains strong provisions ensuring that credits will not be used to foster discrimination.

### Plan

The President should announce in the State of the Union Message his intention to continue to push tuition tax credits.

The President should transmit his tuition tax credit legislation to Congress within days of the State of the Union. (A ceremony should be held with key constituency groups.)

In early February, the President should hold a well-publicized meeting with key members of Congress to convey his desire to get this legislation passed as quickly as possible.

We should aim at Senate passage prior to June. All stops should be pulled to achieve this.

When Senate passes the legislation (or prior to vote to break filibuster), President should give major address on Education in America in which tuition tax credits are touted along with other education initiatives.

Elements

1. State of the Union -- This should be highlighted in the speech, and attention needs to be given to the specific language.

ACTION: Speechwriters                      DEADLINE: Jan. 20, 1983  
          Ed Harper

2. Transmittal of Legislation and Message -- The legislative package should be ready to transmit by Wednesday, January 26. Consideration should be given to holding a small ceremony with media coverage.

ACTION: Ken Duberstein                      DEADLINE: Jan. 21, 1983  
          Ed Harper  
          Office of Public Liaison

3. Major Media Events, Speeches, and Meetings with Major Constituency Groups --

The National Catholic Education Association is holding a convention in D.C. around April 7, 1983. (15,000 attendees). Address to convention or reception at White House should be considered.

Also in the Spring or Summer, the President should address the Knights of Columbus and Catholic War Veterans, touting tuition tax credits.

There are 3 major Catholic women's groups. The President should address at least one of them.

He should hold separate, well-publicized Oval Office meetings with Ag-Gudath Israel and other Orthodox Jewish groups and with Protestant groups that favor tuition tax credits, school prayer and other initiatives in the "social" issue area.

Ideally, these speeches and meetings should be held as close as possible to the push to break a Senate filibuster.

Also near the time of the vote, we should schedule spokesmen for the following:

- o MacNeil-Lehrer
- o Today Show
- o Good Morning America

ACTION: OPL  
          Dave Gergen  
          Ed Harper