

Parental Rights and State Requirements

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The Politics of School Choice

It has been hard to change America's educational system. The supporters of the status quo are well funded, fully united, militantly committed, and thoroughly entrenched in positions of power and influence. Those who want change are divided by race, class, religion, and political philosophy.

Homeschoolers are divided over the question of tax reform. While few homeschoolers support direct government payments for education (vouchers), many want tax credits or deductions for their educational expenses. Others oppose this, either out of fear of future "strings" that will be attached or out of philosophical principle. While homeschoolers are divided on this subject, the educational establishment has been solidly united. As a result, only a handful of states have any kind of tax relief for homeschoolers.

Entitlements Are Income

The disagreement over this issue may stem from a misperception of the problem. If the question is whether private and home schools should get special benefits from the government, there are sure to be divisions. We need to reframe the issue by focusing on the special government benefit of publicly funded education. Instead of offering tax credits for private education, let's tax public schools.

Does that sound outrageous? It shouldn't. Economically speaking, publicly-funded benefits are income to the person who receives them. The federal government taxes Social Security benefits and state income tax credits. Why not treat all entitlements as income, including public schooling?

When my son won a full four-year scholarship to a state university, I knew our family was suddenly a lot better off. When I filled out my tax form the next year, I learned that some scholarships are considered taxable income, while others aren't. As a matter of economics, all scholarships are "income," but as a matter of politics, some are exempted from taxation.

We need to insist that all entitlements are income, including a child's entitlement to a free education at the local public school. Instead of demanding special benefits for homeschoolers, it's time we turn the spotlight squarely on America's massive subsidy to the middle class. We have an opportunity to build new political coalitions with businesses and childless taxpayers, who have been spending billions on public education even though they receive no direct benefit from the expense.

Education as a Public Good

This new approach should enable us to neutralize the "education as a public good" argument. Public school advocates have long argued that free public education creates a "public good" by raising a generation of taxpaying, law-abiding citizens. This is why they say it is just for a citizen without children to pay taxes to support the public schools. By treating public education as taxable income, we can get this "public good" at a lower cost.

There is no reason why people should not be taxed for benefits they receive for the "public good." Suppose your town decided to improve overall property values by spending \$100,000 to beautify your property, and then you sold your home. Should all the extra money you made on the sale of your home be tax-free? Your beautiful home has contributed a "public good, but does that

mean all that extra value has to wind up in your private pocket? The town would be far better off to tax your capital gain on the home and use it to improve the house next door.

Elegant Economics

Treating public education as taxable income reduces several complex political issues to a simple matter of mathematics. It does not (directly) affect the poor, who must either homeschool or find educational assistance from some source, since they do not pay taxes. It creates incentives for taxpaying parents to reduce the cost of education, instead of constantly demanding ever-more-expensive programs. It affects all forms of publicly-funded education equally, whether that education is delivered in traditional public schools, brick-and-mortar charter schools, or cyber schools. It eliminates the risk of “strings” on special benefits for non-public education, which most concerns homeschoolers.

Treating entitlements as income works in a general sense, not just for education. It could help America significantly reduce deficit spending, since more than half the federal budget now consists of “entitlement spending.” If the IRS treated entitlement benefits as income, many taxpayers in higher brackets might forego them.

Entitlement spending currently includes both traditional welfare and “corporate welfare.” Some people are eager to have the government help needy families or small businesses survive, but most people would agree that rich people who get richer at public expense should at least pay taxes for the privilege. When corporations receive millions of dollars in federal tax credits, they pay taxes on the money they receive. It would be more fair and more efficient to treat other entitlements like we do tax credits.

Education Deductions

It is good economics to recognize that entitlements are “income,” but it is not good politics to try to suddenly tax hundreds of billions of dollars in current benefits. To change the laws, we need to shield today’s family budgets by deducting today’s average cost of education. Families with children in public schools would see little or no net change. Families who have children in private or home schools would pay less tax.

Appropriate legislation gives every taxpayer with a school-age child an educational exemption worth the average statewide cost of public education today. Families in expensive school districts would pay a little more in taxes, while families in underfunded districts would get a small tax break. As the price of public education rose over time, wealthy parents would gradually pay more in taxes, but poor families would not be affected.

Let’s flesh this out. I live in an upscale neighborhood in suburban Maryland. Maryland has a 6 percent state income tax rate. In 2002, it cost just under \$8,000, on average, to educate a child in a Maryland public school, while my school district averaged almost \$10,000 per child. Using an \$8,000 deduction, here’s how this proposal would affect different Maryland taxpayers:

- My family has one homeschooled child, so a 6 percent savings on an \$8,000 deduction would save me \$480 on my Maryland taxes.
- My childless neighbors next door would have no change.
- My well-to-do neighbors across the street have one child in public school. They would have to pay a 6 percent tax on income of \$10,000 minus their \$8,000 deduction, costing them \$120.00.
- The single mother in my church who has her child in public school would report income of \$10,000 minus the \$8,000 deduction, but that would not be enough to put her into the lowest tax bracket, so there would be no change in what she pays.
- A family with a child in public school across the state in Caroline County would report \$7,093 more in taxable income, minus the deduction of \$8,000, for a tax savings of \$54.42

This is good economics, and it is good politics too. Our current system subsidizes rich parents who can afford to live in upscale districts, while poor children are trapped in deteriorating schools. Identifying public education as “income” puts the spotlight on this fact.

Practical Considerations

Any bold proposal to change the system must address the practical problems of large-scale change. Any attempt to define entitlements as income will be opposed by interest groups that benefit from the current system. It may take years before any real changes are implemented into law.

Fortunately, we can achieve significant benefits just by labeling entitlements as income. We don’t have to change the laws to change the system. We can reframe the debate by calling for the taxation of all government subsidies, uniting people who are currently divided by race, class, religion, and political philosophy. Political parties can agree that if the rich are going to get richer at public expense, the least they can do is to pay taxes.

Today, public education is an untouchable entitlement, and school-choice activists are viewed as a special interest group demanding new government benefits. But if we attempt to tax entitlements, we can talk about the privileged children of rich parents in exclusive neighborhoods. This gives us the moral and rhetorical high ground – a very practical advantage in a public policy debate that may take a generation to win.

The practical downside to this proposal is the danger of being ridiculed. Before the advent of alternative media, this kind of proposal would have been dead on arrival. The mainstream media would reduce it to a straw man and laugh it away. With the new media, however, a new meme can replicate through cyberspace faster than the existing power structures can counter it. All we need to break into the mainstream are activists who are willing to call a talk show and ask, “Why don’t we tax corporate give-aways?”

Conclusion

The question is not whether homeschoolers should get special benefits from the government in this day of tight budgets and high deficits, but why hundreds of billions of dollars of public school services should go untaxed, especially when so much of that money goes to parents making six-figure incomes. Millionaires buy houses in exclusive neighborhoods in expensive school districts poor families can’t possibly afford and then they blame us for wanting tax relief. It’s time the shoe was on the other foot. Let’s treat public education as income.