The Opportunity Fund for Jewish Education

Federal Scholarship Tax Credit FAQ

Based on Proposed IRS Program Regulations Released Oct. 1, 2026.

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The Opportunity Fund for Jewish Education

General Questions:

1. How does the Federal Scholarship Tax Credit Program work?

Under this program, an eligible taxpayer who donates to a Scholarship Granting Organization (SGO) of their choice is entitled to a tax credit toward their federal tax bill for 100% of the amount they donated – up to $1,700 per taxpayer (or $3,400 for joint-filers). Eligible taxpayers are citizens or residents of the United States with a federal personal income tax liability.

The Scholarship Granting Organizations use the money to give scholarships to eligible students. However, they can only give scholarships to students who reside in a state that has opted into the federal program.

2. Who is eligible for a scholarship?

Any K-12 student – whether they attend public or nonpublic schools – can receive a scholarship if they meet the following requirements: *[(§1.25F-1(a)(4)]l*

- Their family income is equal or less than 300% of the Area Median Income (as reported by the U.S. Department of Housing and Urban Development), with adjustments based on family size.
- They are eligible to enroll in grades K-12 in a public school.
- They reside in a state that has opted into the federal program. *[§1.25F-3(c)(7)]*

3. What can the scholarships be spent on?

More details will be provided by the IRS in forthcoming guidance, but in general scholarships can be spent on any eligible expenses under the Coverdell Education Savings Account program, including: *[IRS Publication 970 (2025)]*

- School tuition and fees.
- Textbooks, curricular materials, and instructional supplies.
- Computer equipment, educational software, Internet access, and related services.
- Tutoring (when provided outside of the home by a qualified instructor who is not related to the student).
- Special education services for students with disabilities.
- Extended day programs.
- Uniforms, transportation, and room and board.

4. How much money is available each year?

There is no overall program funding cap – but each taxpayer can only receive a tax credit of up to $1,700 per year (or $3,400 per year for joint filers).

5. When will the program be up and running?

The earliest SGOs can accept donations is starting in January 2027. We anticipate that many SGOs will start accepting scholarship applications in Spring or Summer 2027, with the first scholarship awards going out for the 2027-2028 school year.

The Opportunity Fund for Jewish Education

For Governors and Public Officials:

6. What if our state doesn't opt in?

If a state doesn't opt in, then SGOs cannot award scholarships to students who live in that state. However, taxpayers may make contributions to SGOs across state lines. A taxpayer who resides in a state that has not opted into the federal program may still contribute to an approved SGO in a participating state.

By opting in, a state ensures that its residents' donations support scholarships for its own students – and not those in other states.

7. How does a state "opt in" to the program?

Generally, a state opts in by submitting to the IRS a State SGO List – that is, a list of qualifying SGOs in their state who meet all the federal program requirements.

To opt in for the 2027 calendar year, the governor of a state (or other official designated by state law) must:

- On or before January 1, 2027 (up until 11:59PM), make an Advance Election to Participate Under Section 25F. This means completing IRS Form 15714 and sending it to the IRS via fax or email. *[§1.25F-5(c)(3)(i)(B)]*
- Obtain a special-purpose employer identification number (EIN) from the IRS solely for the purpose of opting in. *[§1.25F-5(b)(3)]*
- Optionally designate up to two individuals to register for and use the IRS State Section 25F online portal. *[§1.25F-5(b)(2)]*
- Register for the IRS State Section 25F online portal. *[§1.25F-5(b)(1)]*
- On or before February 15, 2027, submit via the IRS State Section 25F online portal a list of qualified SGOs in their state, along with the certifications and information required by the IRS to opt in. *[§1.25F-5(c)(3)(ii)]*

8. What is the deadline for opting into the program?

To opt in for the 2027 calendar year, a state must submit an Advance Election to Participate (IRS Form 15714) by January 1, 2027 (up until 11:59PM). *[§1.25F-5(c)(3)(i)(B)]* They must then complete the opt in process by sending their State SGO list to the IRS by February 15, 2027. *[§1.25F-5(c)(3)(ii)]*

Starting in 2028 and in subsequent years, a state must send their Advance Election to Participate by September 30 and their complete State SGO list to the IRS by January 1. Submitting an advance election is optional if the state already participated in the prior year. *[§1.25F-5(c)(3)(ii)]*

9. If a state doesn't opt in, can residents still contribute to SGOs in other states?

Contributions are not limited by state borders. A taxpayer may contribute to an SGO approved in another state, and the federal tax credit will apply to that contribution. For example, a taxpayer in State X may contribute to an SGO on State Y's approved list, directing those funds to State Y rather than to an SGO in State X. *[See proposed § 1.25F-2(b), as described in Part II.E. of the Explanation of Provisions.]*

By opting in, a state ensures that its SGOs can receive contributions from taxpayers nationwide and helps keep more tax-credit dollars in state.

10. How will a state determine that an SGO satisfies federal requirements?

In general, every SGO must perform an annual financial and program audit demonstrating that it complied with all federal requirements under Section 25F. *[§1.25F-4(e)(1)]* Organizations with annual revenues of $500,000 or more must have the audit performed by an external, independent professional audit. *[§1.25F-4(e)(2)]* Every SGO must also annually certify to the IRS that it complies with all federal programmatic, operating, reporting, and recordkeeping requirements; and submit an annual report with key information and data on SGO operations. *[§1.25F-4(d)]*

To determine that an SGO satisfies all federal requirements, a state will review an SGO's annual audit, IRS certifications, and IRS reporting described above. *[§1.25F-5(c)(3)(iv)]*

Given that most of this documentation won't exist for a brand new Section 25F SGO – which in 2027 is all SGOs – for the first year of an SGO's operation a state may instead rely an SGO's governing documents or bylaws, written policies and procedures, and other documentation the SGO provides to the state as part of its application requesting inclusion on the State SGO list. *[§1.25F-5(c)(4)]* For this purpose, an SGO's documents, policies, and procedures must expressly state that the SGO will comply with all the requirements in IRS Regulations §1.25F-3(c). Specifically, that the SGO:

- Spends at least 90% of its income on scholarships for eligible students. *[§1.25F-3(c)(1)(ii)]*
- Doesn't let donors earmark their donations to benefit a particular student. *[§1.25F-3(c)(1)(vii)]*
- Only awards scholarships to students who meet the program's income and enrollment eligibility requirements. *[§1.25F-3(c)(1)(iv)]*
- Uses IRS approved documentation and methods to verify student household income eligibility. *[§1.25F-3(c)(6)]*
- Only awards scholarships to eligible students in a state where the organization is listed as a qualifying SGO. *[§1.25F-3(c)(1)(v)]*
- Provides scholarships to at least 10 students who do not all attend the same school. *[§1.25F-3(c)(1)(i)]*
- Ensures scholarship funds are only spent on qualified elementary and secondary education expenses. *[§1.25F-3(c)(1)(iii)]*
- Has reasonable procedures in place to verify that scholarships are used exclusively for eligible educational expenses, and to prevent fraud and abuse. *[§1.25F-3(c)(5)]*
- Gives priority for scholarship awards to students who received a tuition scholarship in the prior year, and then to their siblings to attend the same school. *[§1.25F-3(c)(1)(vi)]*
- Not award scholarships to Disqualified Persons, including board members, those in charge of scholarship awards, and Substantial Donors (who give over $5,000 and 2% of donation receipts in one year) or their family members. *[§1.25F-3(b)(4)]*

11. What discretion does a state have in determining which organizations qualify for its SGO list?

A state will create its own process for SGOs to apply for inclusion on its State SGO List. This process must enable the state to independently verify that an SGO complies with all applicable federal requirements. *[§1.25F-3(c)(6)]* This process will generally include review of various types of documentation, including an SGO's annual audits; IRS certifications and reports; governance, policies, and procedures documents; or other information submitted as part of the state's SGO application process. *[§1.25F-5(c)(3)(iv)]*

If a state identifies any deficiencies in this documentation, then it will be empowered to investigate any failures to demonstrate compliance with federal requirements and work with the SGO to rectify them to the state's reasonable satisfaction. *[§1.25F-5(c)(3)(iv)]*

12. May a state impose additional requirements or restrictions on SGOs beyond those in federal law?

SGOs applying for inclusion on the State SGO List must meet all generally applicable state requirements for charitable organizations, including requirements that any organization must satisfy to do business and solicit charitable contributions in the state. *[§1.25F-5(e)(1)(i)]*

A state can also reasonably tailor the SGO application, documentation, and financial reporting processes to both (A) ensure the state can positively certify the SGO meets all federal requirements and (B) prevent and detect fraud and abuse. *[§1.25F-5(e)(1)(ii)]*

However, a state may not impose additional requirements and restrictions on SGO operations beyond those set forth in federal statute and regulation. For example, a state may not limit the type of school that scholarship recipients may attend, or what kinds of eligible education expenses scholarships can be spent on. *[§1.25F-5(e)(1)(ii)]*

13. Can a state remove an SGO from its State SGO list?

A state may remove an SGO from its State SGO List if – after a procedure that affords the SGO due process – it determines that the SGO has failed to meet the federal statutory or regulatory requirements for SGOs, or failed to meet the state's generally applicable state requirements for charitable organizations. *[§1.25F-5(d)(7)(iii)(B)]*

14. What administrative costs does a state assume by opting in?

The IRS projects that the administrative burden of reviewing an SGO application for inclusion on the state's list will be about 10 hours per SGO application. Assuming 650 SGO applicants per year nationwide and time necessary to interface with the IRS Section 25F online portal, the IRS projects that the annual average administrative burden for a state opting into the program will be around 130 hours per year.

15. Are there any special provisions for economically disadvantaged students?

Yes. The proposed regulations include several options that make it easier to establish eligibility for lower-income students.

In particular, an SGO can award scholarships for individual academic tutoring or special-needs services to students at a school in a low-income area without verifying each student's household income. This applies if the school selects the students based on academic or other need, and the school either is located in a HUD-designated qualified census tract or certifies that at least 80% of its students live in one. The SGO must also obtain an annual third-party audit confirming that the safe-harbor requirements are met. [§1.25F-3(c)(6)(iii)(C)]

In addition, a family can show income eligibility with proof that a household member is approved for SNAP, TANF, WIC, Section 8 housing or SSI, instead of submitting income documents. [§1.25F-3(c)(6)(iii)(B)] Foster children are treated as meeting the income requirement automatically. [§1.25F-3(c)(6)(iii)(D)]

16. What information and regulatory certainty will governors have before opting in?

The IRS has issued temporary regulations for 2027 governing the state opt-in process and SGO reporting and recordkeeping requirements that states will be expected to oversee and enforce. These regulations are final for the 2027 year and will not change.

The IRS has also issued proposed full program regulations relating to taxpayer contributions, SGO operations, and student eligibility. These will serve as the primary basis for final program regulations, whose 60-day public comment period will end in January 2027 before the February 15, 2027 deadline for opting into the program.

Moreover, the IRS has stated that "Taxpayers, organizations, and States may rely on these proposed regulations for qualified contributions made on or after January 1, 2027, in taxable years ending before the date the Treasury decision adopting these regulations as final regulations is published in the Federal Register, provided that taxpayers, organizations, and States follow the portions of the proposed regulations applicable to each in their entirety and in a consistent manner."

A state concerned about the content of the final regulations can: (A) complete its Advance Election to participate by the January 1, 2026 deadline; (B) accept SGO applications while waiting for the final program regulations expected in January 2027; and then (C) complete its final State SGO List submission to the IRS by the February 15, 2027 deadline.

17. Can a state alter its SGO list after submitting to the IRS for the coming year?

A state can add additional SGOs to its State SGO List for a coming year if it does so before the annual deadline – February 15 for 2027, or January 1 for all subsequent years. *[§1.25F-5(d)(7)(ii)]*

A state may remove an SGO from its State SGO List if – after a procedure that affords the SGO due process – it determines that the SGO has failed to meet the federal statutory or regulatory requirements for SGOs, or failed to meet the state's generally applicable state requirements for charitable organizations. *[§1.25F-5(d)(7)(iii)(B)]*

18. How will the FSTC interact with existing state scholarship tax credit programs?

Existing state programs can continue alongside the FSTC - the federal program does not replace or preempt them.

A taxpayer cannot receive both a state and federal credit for the same portion of a contribution. However, the proposed regulations allow contributions to be structured so that state and federal credits apply to different portions of the same contribution – or more simply, two separate contributions, one for claiming the federal tax credit and one for the claiming the state tax credit. The IRS specifically states that the rules are intended to avoid discouraging states from continuing their existing educational tax-credit incentives. *[§1.25F-2(c)(1)-(2)]*

For Schools:

19. What are the requirements for a school to participate?

To receive tuition payments via the program, a school must simply be regulated as a K-12 public or nonpublic school under state law.

For tuition, fees, room and board, and similar school-charged expenses, scholarship funds must be paid directly from the SGO to the school, and the school must return any payment that exceeds the student's actual costs or was made in error. *[§1.25F-3(c)(5)(iii)]*

20. Can a school require parents to spend their scholarships on tuition?

There is no legal mechanism for schools to force parents to spend their scholarships on tuition (as opposed to other eligible expenses such as textbook, tutoring, and bussing). However, an SGO could decide that it will only cover scholarships for tuition, or for another type of expense favored by the SGO.

21. Can public schools or vendors that serve public school students participate as providers under the program?

Yes. Public-school students may receive scholarships for qualified elementary or secondary education expenses. The IRS expressly gives academic tutoring for qualified students in public schools as an example of a permissible scholarship use. *[§1.25F-3(c)(1)(iii)]*

Public schools may receive scholarship payments for qualified expenses charged by the school. Scholarship payments for tuition, fees, room and board, and similar school-charged expenses must be paid directly to the school. *[§1.25F-3(c)(5)(iii)]*

Other vendors may also receive scholarship payments directly if the SGO verifies that the vendor is an appropriate provider of the eligible service or item, is not related to the scholarship recipient, and agrees to return excess or erroneous payments. *[§1.25F-3(c)(5)(iv)]*

22. Can a school create its own SGO?

A school can establish its own SGO if it meets all the federal requirements – including that it must award scholarships to at least 10 students who attend more than one school. *[§1.25F-3(c)(1)(i)]*

In practice, we do not expect many schools to establish their own SGOs because of the substantial overhead and compliance costs associated with running an SGO. Rather, we expect most schools will partner with a larger SGO and encourage their parent bodies to donate thereto.

23. Does accepting FSTC-funded payments change a school's nondiscrimination, civil-rights, disability, or other legal requirements?

No. Scholarship funds are ultimately private donations – albeit ones incentivized via tax credits. Scholarships are not considered federal funds, and have no additional nondiscrimination, civil-rights, or disability strings attached. Nor do

scholarship payments trigger the "single audit" requirements for organizations that receive $1 million or more annually in federal funds.

24. Are there any recordkeeping requirements for schools that receive scholarship funds?

SGOs are expected to have reasonable processes in place to ensure that no duplicate or overpayments were paid to schools or any other vendor. *[§1.25F-3(c)(5)]* This could mean requiring schools that receive scholarship payments to maintain sufficient records to detect and remediate any duplicative or over-payments.

25. How is an SGO-funded scholarship expected to interact with a school's own need-based financial aid?

Federal regulations are silent on the interactions between SGO scholarships and a school's existing financial aid program. Schools and SGOs could potentially – but are not required to – coordinate their respective awards to advance their charitable missions.

26. What happens if a scholarship student withdraws mid-year after a school has received scholarship funds?

Schools – and other vendors – must return overpayments to an SGO if a scholarship payment exceeds the cost of services rendered. If a student's scholarship is paid to a school and then they leave the school, then the school must return any payments from the SGO that are in excess of the student's costs incurred to date. *[§1.25F-3(c)(5)]*

27. Are there protections or remedies for schools and providers if an SGO delays payment, fails to pay, is suspended, loses eligibility, or becomes insolvent?

The federal regulations do no provide any protections or remedies for schools or parents if an SGO fails to pay or shuts down. An SGO's unpaid obligations would generally be handled like other debts of an organization under applicable contract, nonprofit-dissolution, insolvency, or bankruptcy law.

28. Schools need to set realistic expectations with families about how much scholarship funding will be available. What is the expected overall program funding?

The IRS estimates that the entire program will ultimately generate $26 billion in scholarship funding nationwide. If divided evenly among all eligible public and nonpublic schools students, this would generate an average scholarship of ~$500 per student.

However, a school that or community that effectively maximizes their FSTC fundraising from their members could potentially raise significantly more per pupil.

29. Can a school accept scholarship payments from multiple SGOs?

There is nothing preventing multiple SGOs from making scholarship payments to the same school – even for the same student. However, a school may not accept a scholarship award that exceeds the student's total tuition bill. Any excess funds beyond the cost of tuition and fees must be returned by the school to one of the SGOs. *[§1.25F-3(c)(5)(iii)]*

For Scholarship Granting Organizations (SGOs):

30. What requirements must an SGO meet to be included on a state list?

An SGO will be included on a state's SGO list if it can prove that it meets all the applicable federal requirements, including that it must:

- **Operational Requirements:**
  - Be a tax-exempt 501(c)(3) nonprofit that isn't a private foundation. *[§1.25F-3(b)(1)]*
  - Keep all tax credited donations in a separate bank account and maintain a complete set of books and records for those funds. *[§1.25F-3(b)(2)]*
  - Spend at least 90% of its income on scholarships for eligible students. *[§1.25F-3(c)(1)(ii)]*
  - Be included on a state's list of approved SGOs for a given calendar year. *[§1.25F-3(b)(5)]*
  - Meet all applicable reporting and recordkeeping requirements for SGOs. *[§1.25F-3(b)(6)]*
  - Not let donors earmark their donations to benefit a particular student. *[§1.25F-3(c)(1)(vii)]*
- **Scholarship Granting Requirements:**
  - Only award scholarships to students who meet the program's income and enrollment eligibility requirements. *[§1.25F-3(c)(1)(iv)]*
  - Uses IRS approved documentation and methods to verify student household income eligibility. *[§1.25F-3(c)(6)]*
  - Only award scholarships to eligible students in a state where the organization is listed as a qualifying SGO. *[§1.25F-3(c)(1)(v)]*
  - Provide scholarships to at least 10 students who do not all attend the same school. *[§1.25F-3(c)(1)(i)]*
  - Ensure scholarship funds are only spent on qualified elementary and secondary education expenses. *[§1.25F-3(c)(1)(iii)]*
  - Have reasonable procedures in place to verify that scholarships are used exclusively for eligible educational expenses, and to prevent fraud and abuse. *[§1.25F-3(c)(5)]*
  - Give priority for tuition scholarship awards to students who received a scholarship in the prior year, and then to their siblings to attend the same school. *[§1.25F-3(c)(1)(vi)]*
  - Not award scholarships to Disqualified Persons, including board members, those in charge of scholarship awards, and Substantial Donors (who give over $5,000 and 2% of donation receipts in one year) or their family members. *[§1.25F-3(b)(4)]*

31. Can an SGO be an existing nonprofit?

An existing nonprofit can qualify as a federal SGO without restructuring its other scholarship programs if at least 85% of its activities are scholarship-granting activities. An organization that meets this test applies the federal operating requirements, including the rule that 90% of income be spent on scholarships, only to its separate account for federal-credit contributions, and not to the organization as a whole. *[§1.25F-3(c)(2)-(4)]*

For purposes of the 85% test, scholarship-granting activities include federal, state-tax-credit, and any other scholarship programs, as well as administrative, fundraising, governance, investment, compliance, outreach, and

other activities to the extent they are conducted in support of scholarship granting. The organization must still meet the other SGO requirements and be included on its state's SGO list. *[§1.25F-3(b), §1.25F-3(c)(2)-(3)]*

32. Can one organization operate as an SGO across multiple states?

Yes, an SGO can apply to be on the SGO list for multiple states provided they can legally operate in that state and comply with all general applicable nonprofit laws in the state. *[§1.25F-1(a)(11)]*

33. For a multistate SGO, must it serve at least 10 different students across at least two schools in each state?

Yes. It must meet all federal operational and scholarships granting requirements separately in each state in which it operates. *[§1.25F-3(c)(4)(ii)(B)]*; *§1.25F-3(e)]*

34. How is compliance different for multi-state SGOs?

A multistate SGO must ensure that at least 85% of its budget across all states is spent on scholarship granting activities. *[§1.25F-3(c)(3)]* It must also separately meets all federal SGO requirements in each state that it operates in (e.g. award to at least 10 students from at least two schools in each state; maintain a separate account for tax credited donations for each state; spend at least 90% of tax credited revenues in each account on scholarship awards each year; undergo a compliance audit for each account and scholarship award practices in each state). *[§1.25F-3(c)(3)]*

35. What if a student lives in one state but attends school in another?

A student's state of residence – not the location of their school – determines which state's FSTC opt-in status applies. If a student's state has opted into the program, then they may attend school, receive services, or purchase eligible educational goods in another state without affecting their eligibility. *[§1.25F-3(c)(7)]*

For a multistate SGO, the scholarship must be paid from the SGO's segregated account for the student's state of residence. For example, if a student lives in New Jersey but attends school in New York, a multistate SGO listed in both states would award the scholarship from its New Jersey account, even though the tuition payment may be sent directly to the New York school. *[§1.25F-3(c)(3), 1.25F-3(c)(7)(iii), Example 2]*

If the student's state of residence has not opted into the FSTC – or the SGO is not listed in that state – the student generally cannot receive an FSTC scholarship from that SGO merely because they attend school in a participating state. Limited exceptions apply for certain military and Tribal families. *[§1.25F-3(c)(7)(ii)]*

36. Can an SGO allow donors to earmark donations for students in a specific school or group of schools?

The federal statute and proposed regulations prohibit an SGO from letting donors designate contributions to benefit a particular student. [*§1.25F-3(c)(1)(vii)*] They do not prohibit SGOs from letting donors designate contributions for a particular class of students - such as those attending a specific school or group of schools.

However, when awarding scholarships all SGOs must give priority to students who received a tuition scholarship in the prior year and their siblings to attend the same school. *[§1.25F-3(c)(1)(vi)]* If complying with donor designations for a specific school or group of schools would violate this principle, then an SGO could not honor those designations.

37. SGOs must award scholarships with priority for returning students and their siblings. What exactly does that mean?

When a student is awarded a scholarship for **tuition, fees, room, and board to attend a school**, the SGO must ensure that they can afford to continue attending the same school each year. *[§1.25F-3(b)(8)]* Thus, an SGO should not reduce their scholarship in a way that makes the school unaffordable for that student or their siblings to attend the same school.

When a student is awarded a scholarship for **non-school-based academic needs**, such as tutoring or special needs services, an SGO may adjust the scholarship from year to year based on the child's evolving academic needs instead prior award amounts. *[§1.25F-3(b)(8)]*

38. What structural, governance, independence, and separate-entity rules apply to SGOs?

An SGO must be a tax-exempt 501(c)(3) nonprofit that isn't a private foundation. *[§1.25F-3(b)(1)]* This means that an SGO must comply with all the federal governance requirements that apply to tax exempt public charities.

For any state they operate in, they must also meet all generally applicable state requirements for charitable organizations, including requirements that any organization must satisfy to do business and solicit charitable contributions in the state. *[§1.25F-5(e)(1)(i)]*. *[§1.25F-1(a)(10), 1.25F-3(b)(5)]*

A single SGO entity can operate across several states, but must separately meet the federal program requirements for each state they operate within. *[§1.25F-3(c)(4)(ii)(B)]*; *§1.25F-3(e)]*

39. How does an SGO register with the IRS?

An SGO must register on the IRS SGO online portal on irs.gov, which is currently under development, ideally before applying for inclusion on any State SGO Lists. *[§1.25F-4(b)]*

40. How does an SGO apply for inclusion on a State SGO List?

Each state will establish its own process for SGOs to apply for inclusion on its State SGO List. *[§1.25F-3(c)(6)]* SGOs interested in appearing on a State SGO List should follow the state's public announcements and visit their website to learn the state-specific process they must follow.

41. What information must SGOs report or disclose to the IRS, states, or the public regarding contributions, scholarships, expenses, administration, and compliance?

An SGO must certify annually to the IRS that it met all applicable requirements for SGOs. *[§1.25F-4(d)(2)]* An SGO must also annually report to the IRS – separately for each state where the SGO operated – the following information: *[§1.25F-4(d)(3)]*

- How many students applied for a scholarship and had their income verified;
- How many students applied for a scholarship but were exempt from having their income verified (e.g. because they qualified for public assistance programs);
- How many scholarships were awarded;
- The highest, lowest, and average amount of the scholarships awarded;
- How many different schools were attended by all scholarship recipients;

- The total amount of scholarship funding that was spent on each category of eligible education expenses (e.g. tuition and fees, tutoring, special education services)
- The organization's total income (or if using a "safe harbor" account to keep tax-credited donations separate, the total amount of tax-credited donations received therein);
- For the current and prior calendar year, total scholarship funding that was spent on eligible expenses (for purposes of the 90% spending rule);
- Any other information required by the IRS.

All this information must be reported to the IRS along with the organization's annual Form 990. Organizations that do not file a Form 990 must provide a standalone form with this information to the IRS by May 15th each year. *[§1.25F-4(d)(4)]* Given that the reported information must be included as an attachment to their public IRS Form 990, we expect that this information will become generally publicly available over time.

An SGO must also provide a copy of these certifications and information to states whose State SGO List they appear on. *[§1.25F-4(d)(4)]*

42. What financial and programmatic audits must SGOs conduct, and who may perform them?

Every SGO must perform an annual financial and program audit demonstrating that it complied with all federal requirements under Section 25F. *[§1.25F-4(e)(1)]* SGOs with annual revenues of $500,000 or more must have the audit performed by an external, independent professional auditor, whereas smaller SGOs can have the audit performed by an independent committee of individuals unrelated to the organization's management. *[§1.25F-4(e)(2)]*

The audit must cover the following: *[§1.25F-4(e)(3)]*

- The scholarship solicitation, application, and income verification processes;
- The scholarship award selection process, including how priority is established for students previously awarded tuition scholarships and their siblings to attend the same school;
- The process for setting individual scholarship amounts;
- The process for ensuring scholarship awards are spent only on qualified educational expenses – and verification of this process to ensure it works;
- Verification that the organization is actually located in each state where it's listed – that is, operating legally and in accordance with state laws and regulations for public charities
- Verification that the organization meets all the federal operations and programmatic requirements for SGOs, including those that apply separately in each state where the SGO operates.

43. How do SGOs provide receipts or proof of donation to donors?

When an SGO receives a donation, they must use the IRS SGO online portal to generate a Unique Donor Number for that donor. *[§1.25F-4(b)(4)]*

Every year by January 31, an SGO must provide each donor "timely written acknowledgement" of their donations, including the SGO's Employer Identification Number, the total amount of tax-creditable donations they contributed to the SGO, the donor's Unique Donor Number, and whether any goods or services were provided in return for the donation. *[§1.25F-4(c)]* The donors then use this information to claim the credit on their tax return.

The SGO must also report to the IRS, through the SGO online portal by February 28 each year, every donor's name and address, unique donor number, and aggregate qualified contributions for the prior year. *[§1.25F-4(c)(2)]*

44. What responsibilities do SGOs have for vetting schools, tutors, and other providers to verify that funded services or expenses are legitimate and actually provided?

SGOs must ensure that scholarship funds are only spent on eligible education expenses. They must do this by: *[§1.25F-3(c)(5)]*

- *Paying Tuition Directly to Schools* – Any scholarship payments for tuition, fees, room, and board charged by a K-12 school must be paid directly from the SGO to the school. It cannot pass through the hands of families. *[§1.25F-3(c)(5)(iii)]*
- *Verifying Vendors* – Before paying a non-school vendor, an SGO must verify that the vendor is an appropriate provider of the requested K-12 education services, is not related to the scholarship recipient, and will return any scholarship funds that exceed the cost of services rendered. *[§1.25F-3(c)(5)(iv)]*
- *Verifying Any Reimbursements* – An SGO may reimburse parents for qualified expenses paid to a non-school vendor, but only if they provide a receipt showing: (A) a payment was made to the vendor; and (B) it was for a qualified education expense. They must also ensure that no double reimbursements – from any source – are made for the same expense. *[§1.25F-3(c)(5)(ii)]*

The IRS plans to release future regulations defining a "qualified digital wallet" which is run by a third-party and conducts all necessary vendor and expense verification activities on behalf of SGOs. *[§1.25F-3(c)(5)(v)]*

45. What mechanisms must SGOs use to prevent duplicate scholarships, double reimbursement, or payment of the same expense from multiple sources?

An SGO must implement reasonable procedures to prevent and detect fraud and abuse – including systems to detect and prevent double payments for the same expense. [*§1.25F-3(c)(5)]* States may impose more specific documentation and financial reporting requirements for SGOs to prevent fraud, abuse, and double payments. [*§1.25F-5(e)(1)(ii)(B)]*

46. The law requires SGOs to spend 90% of their revenues on scholarships. How long do they have to spend the money?

An SGO must meet the 90% spending requirement by the last day of the taxable year following the taxable year in which the income is received. So, if an SGO has a taxable year that runs from January through December and receives a total of $1,000,000 in tax-credited donations in the 2030 taxable year, it must spend at least $900,000 on scholarships by December 31, 2031. [§1.25F-3(c)(4)(iii)(A)]

Note that an organization's taxable year may not align with the calendar year – for example, many organizations report their books to the IRS using a taxable year starting in July and ending in June.

47. When is money considered "spent" on scholarships for the 90% rule? What if a payment to a vendor is returned or refunded to the SGO?

The money is considered "spent" on scholarships when the money is actually paid to a vendor, or as a qualified reimbursement to a family that proves they paid an eligible expense. [*§1.25F-3(c)(4)(iii)(B)*]

If an erroneous or overpayment is returned to the SGO then the SGO should treat the refunded amount as new income, 90% of which must be spent on scholarship awards by the end of the SGO's following taxable year. [*§1.25F-3(c)(4)(iii)(D)*]

48. Does an SGO need to spend 90% of all income on scholarships, or just 90% of tax credit donation income?

If at least 85% of an SGO's revenues are spent on scholarship granting activities – federal, state, or private – then the SGO can create an "Safe Harbor Account" for each state where it operates. [*§1.25F-3(c)(2), (3)]* As long as all federally-tax credited donations are placed into a "safe harbor" account, the 90% requirement only applies to funds in the "safe harbor" accounts. [*§1.25F-3(c)(4)(ii)(B)]*

49. What may an SGO do with the remaining 10% not required to satisfy the 90% scholarship-spending requirement?

Once it meets the 90% scholarship spending requirement for qualified contributions, an SGO may use the remaining 10% for any lawful nonprofit purposes. This includes administrative, fundraising, compliance, and other operating expenses. It also includes other charitable purposes consistent with the organization's mission and federal and state nonprofit laws.

50. Are there restrictions or requirements on an SGO's grantee application process?

The regulations do not prescribe how an SGO's application process works. The process must ensure the SGO has enough information to verify a student's eligibility. Specifically, they must be able to verify that:

- That the student's income doesn't exceed 300% of Area Median Income, adjusted for family size.
- That the student lives in a state where the SGO is listed to operate.
- That the student is eligible to enroll in a K-12 public school.

51. What is the income limit?

A student's household income cannot exceed 300% of area median gross income, adjusted based on family size. *[§1.25F-3(c)(6)(ii)]* Household income is measured for the calendar year prior to applying for a scholarship – so a family applying for a scholarship in 2030 is measured against their household income in 2029. *[§1.25F-1(a)(4)(i)(a)]*

The current Department of Housing and Urban Development family size multipliers are:

Family Size	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Multiplier	0.70	0.80	0.90	1.00	1.08	1.16	1.24	1.32
Illustrative Example - AMI = $100K 300% of AMI = $300K	$210K	$240K	$270K	$300K	$324K	$348K	$372K	$396K

52. What documentation can SGOs use to determine student income?

There are several types of documentation an SGO can use to verify income: *[§1.25F-3(c)(6)(iii)]*

- *Tax Returns* – Including Federal or State tax returns for the calendar year prior to applying for a scholarship.

- *Employer-Issued Documentation* – Including W-2s and pay stubs, when accompanied by certifications that the family had no additional Income.
- *Proof of Public Assistance* – Documents showing a household member is approved for SNAP, TANF, WIC, Section 8 housing or SSI. *[§1.25F-3(c)(6)(iii)(B)]*

The proposed regulations also include several options that make it easier to establish eligibility for lower-income students.

In particular, an SGO can award scholarships for individual academic tutoring or special-needs services to students at a school in a low-income area without verifying each student's household income. This applies if the school selects the students based on academic or other need, and the school either is located in a HUD-designated qualified census tract or certifies that at least 80% of its students live in one. The SGO must also obtain an annual third-party audit confirming that the safe-harbor requirements are met. *[§1.25F-3(c)(6)(iii)(C)]*

53. Who is a "disqualified person" who cannot receive a scholarship?

Any officer, director, or trustee of an SGO – or those holding similar powers and responsibilities – and their family members are "disqualified people" who cannot receive a scholarship from that SGO. *[§1.25F-3(d)(1)(ii)]*

Additionally, anyone who participates in the selection of scholarship recipients or the determination of scholarship awards – including as part of a committee – and their family members are "disqualified people." *[§1.25F-3(d)(1)(ii)]* If school staff are involved in selecting scholarship recipients or setting the scholarship award criteria for their students, then school staff could possibly be considered "disqualified people" as well.

Family members for this purpose include spouses, children, siblings, nieces and nephews, and any of their descendants. *[§1.25F-3(d)(3)]*

Substantial contributors – who provide donations totaling $5,000 or more AND 2% or more of an SGO's annual revenues – and their family members are also "disqualified." *[§1.25F-3(d)(1)(ii)]* In practice, this won't be an issue for the vast majority of donors who will be donating up to the $3,400 credit maximum for a couple filing jointly.

54. How may SGOs determine how scholarship awards are made? What can they consider or not consider when making awards?

SGOs have substantial flexibility to establish their own scholarship criteria and consider the needs of students and the types of educational expenses for which scholarships are sought.

However, SGOs must give the required priority to returning tuition scholarship recipients and then their siblings to attend the same school, may not award scholarships to disqualified persons (i.e. major donors, those in charge of the scholarship award process, and their family members), and donors may not earmark contributions for particular students. *[§1.25F-3(c)(8)]*

55. Can an SGO select specific students to receive scholarships of a certain size, or must it use a predetermined formula?

The regulations do not require a predetermined or uniform formula. Thus, an SGO may select individual scholarship recipients and determine the amount awarded to each student.

However, the SGO must have procedures for selecting recipients and determining award amounts, and those procedures are reviewed as part of its annual audit. Awards must comply with the program's eligibility, priority, qualified-expense, anti-duplication, and other requirements. *[§1.25F-4(e)(3)]*

56. To what extent may SGOs rely on school recommendations when making scholarship awards?

The proposed regulations do not prohibit SGOs from considering or relying on recommendations from schools when identifying scholarship recipients or assessing student needs. Indeed, certain safe-harbor provisions expressly contemplate students being selected by their school based on academic or special need. *[§1.25F-3(c)(6)(iii)(C)]*

However, the SGO remains responsible for maintaining appropriate scholarship-selection procedures and ensuring that all awards comply with federal eligibility, disqualified-person – and crucially priority – requirements.

57. Can one SGO transfer FSTC funds to another SGO to distribute the scholarships?

No. The SGO that receives a qualified contribution must keep the funds in their own Section 25F segregated account and is responsible for ensuring those funds are used in accordance with all federal requirements. This includes allocating scholarships, verifying vendors, and having procedures in place to prevent fraud. *[§1.25F-3(b)(2); §1.25F-3(c)(1)-(3)]*

However, an SGO could use a qualified digital wallet to administer scholarship funds through a third-party platform that verifies and pays qualified education expenses. Funds transferred to such a wallet may count as spent for the 90% rule if the SGO relinquishes ownership. *[§1.25F-1(c)(5)(v)]* The IRS has requested further comments and will issue further guidance on how qualified digital wallets should operate.

58. Is there any cap on the total scholarship funds a student may receive across multiple SGOs or in combination with a state credit-funded scholarship?

There is no federal limit on how large a scholarship award can be. If a scholarship award exceeds a student's tuition expenses, then they could spend the scholarship on other eligible education expenses such as tutoring and special education services.

However, all funds must be spent on eligible education expenses to verified vendors, and there can be no double payments for the same expense. *[§1.25F-3(b)(5)]*

59. Can an SGO restrict the eligible expenses families can spend their scholarships on?

The proposed regulations expressly state that an SGO may narrow its own focus and adopt more stringent requirements than the federal minimum. It gives specific examples of limiting its scholarships to expenses in particular subject areas, or to students whose household income is less than 80 percent of the area median gross income.

60. Can an SGO place participation requirements on schools to receive scholarships?

The proposed regulations expressly state that an SGO may narrow its own focus in its scholarship awards. This presumably includes limiting its focus to students attending certain types of schools (e.g. public schools) or with certain types of needs (e.g. learning disabilities).

61. Is there a limit on a student receiving scholarships from multiple SGOs?

There is no restriction on a student receiving multiple scholarships from multiple SGOs. However, no duplicate payments or reimbursements can be made, regardless of the number of scholarships or funding sources. *[§1.25F-3(b)(5)]*

62. Will scholarship allocations and payments align with typical school enrollment and billing cycles?

An SGO may pick its own scholarship application and award timeline. However, it must ensure 90% of all funds raised in one taxable year are paid by the end of the following taxable year. [*§1.25F-3(c)(4)(iii)(A)*]



For Families and Students:

63. Who is eligible to receive an FSTC scholarship?

Any K-12 student – whether they attend public or nonpublic schools – can receive a scholarship if they meet the following requirements: *[(§1.25F-1(a)(4)]*

- Their family income is equal or less than 300% of the Area Median Income (as reported by the U.S. Department of Housing and Urban Development), with adjustments based on family size.
- They are eligible to enroll in grades K-12 in a public school.
- They reside in a state that has opted into the federal program. *[§1.25F-3(c)(7)]*

You can look up the income limit for your region on the Teach Coalition website at: https://teachcoalition.org/federalscholarships/#eligibility

64. What if my child is in a public or charter school?

There are no limitations or restrictions on public school students receiving scholarships and spending them on eligible expenses, including tutoring and special needs services. *[§1.25F-1(a)(4), (14)]*

65. How is household income verified?

There are several types of documentation an SGO can use to verify income: *[§1.25F-3(c)(6)(iii)]*

- *Prior Year Tax Returns* – Including Federal or State tax returns.
- *Employer-Issued Documentation* – Including W-2s and pay stubs, when accompanied by certifications that the family had no additional Income.
- *Proof of Public Assistance* – Documents showing a household member is approved for SNAP, TANF, WIC, Section 8 housing or SSI. *[§1.25F-3(c)(6)(iii)(B)]*

66. How do I apply for a scholarship?

If your state opts into the program, it will publish a list of participating Scholarship Granting Organizations (SGOs) by February 15, 2027. Families will select an SGO operating in their state (or multiple ones) and apply for a scholarship through the SGO's website.

67. When can families begin applying for scholarships?

The earliest SGOs can start accepting donations is January 2027. We anticipate that many SGOs will start accepting scholarship applications in Spring or Summer 2027, with the first scholarship awards going out for the 2027-2028 school year.

68. Can I get scholarships from multiple Scholarship Granting Organizations?

Yes – and you can get a scholarship from both the federal tax credit scholarship program and a state one. However, SGOs may consider an applicant's scholarships from other sources when making award decisions.

69. Who decides whether a student receives a scholarship and how much?

Each SGO establishes its own process for awarding scholarships, prioritizing applicants, and setting scholarship amounts. *[§1.25F-4(e)(3)(ii)-(iii)]* The law requires SGOs to give priority to returning tuition scholarship recipients and their siblings to attend the same school, but after that each SGO decides who gets scholarships and how much. *[§1.25F-3(c)(8)]*

70. What can the scholarships be spent on?

More details will be provided by the IRS in forthcoming guidance, but in general scholarships can be spent on any eligible expenses under the Coverdell Education Savings Account program, including: *[IRS Publication 970 (2025)]*

- School tuition and fees.
- Textbooks, curricular materials, and instructional supplies.
- Computer equipment, educational software, Internet access, and related services.
- Tutoring (when provided outside of the home by a qualified instructor who is not related to the student).
- Special education services for students with disabilities.
- Extended day programs.
- Uniforms, transportation, and room and board.

71. Are scholarships considered income? Do I need to pay taxes on them?

The law explicitly excludes scholarships awarded by SGOs from taxable income – you do not need to pay taxes on them. *[26 U.S. Code § 139K]*

72. Do I have to spend my scholarship on tuition?

Each SGO may determine which eligible expenses it will cover. Some SGOs may award scholarships for any legally permissible expenses, while others may limit scholarships to tuition and/or special education services. *[Preamble to Temporary Regulations, 91 Fed. Reg. 62657]*

In turn, donors can support the SGOs whose scholarship award and payment policies they prefer.

73. How do scholarship payments work – including direct payments, reimbursements, and required documentation?

Tuition payments must be made directly to the school a student attends. This includes tuition, fees, room and board and other similar expenses generally paid to a school. *[§1.25F-3(c)(5)(iii)]*

Payments for other eligible educational expenses may be made either directly to the vendor or to a student's family as a reimbursement. Each SGO may decide which of these options to offer. *[§1.25F-3(c)(5)]*

Before paying a non-school vendor, an SGO must verify that the vendor is an appropriate provider of the requested K-12 education services, is not related to the scholarship recipient, and will return any scholarship funds that exceed the cost of services rendered. *[§1.25F-3(c)(5)(iv)]* Families must substantiate reimbursements with a receipt showing that the expense was actually incurred, and that it was for a covered eligible expense. *[§1.25F-3(c)(5)(ii)]*

74. What if a student is in public school, private school, charter school, preschool, college, or summer camp?

Students must be eligible to attend a public elementary or secondary school to receive a scholarship. *[(§1.25F-1(a)(4)]* Depending on state regulations, this generally includes students in grades K-12 and generally does not include students in preschool or college.

Students who attend a summer camp may be eligible for a scholarship if they also attend a K-12 school. However, summer camp fees are not an eligible expense for FSTC scholarship recipients. *[§1.25F-1(a)(4)(i)(B)]*

75. What if my child is homeschooled?

Whether homeschooled students are eligible for a scholarship depends on whether homeschool is regulated as a "school" under state law. Further guidance is expected from the IRS and state agencies on this issue.

76. What expenses may public school students use scholarships for?

While public school students don't generally incur tuition expenses, they may spend their scholarships on other eligible education expenses such as school fees, textbooks, technology, tutoring, transportation, uniforms, and extended day programs. *[IRS Publication 970 (2025)]*

77. How may scholarship dollars be used to support students with disabilities, including services, therapies, aides, specialized instruction, assistive technology, and other disability-related supports?

Scholarships for students with disabilities may be spent on special education services by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies. *[IRS Publication 970 (2025)]*

78. What happens if a student's state does not opt in?

SGOs may not award scholarships to students if their state of residence does not opt into the program. *[§1.25F-3(c)(7)]*

79. What if a student lives in one state, but attends school in another?

The key determinant for eligibility is where a student resides according to state law, not where they attend school, receive tutoring services, or purchase eligible school supplies or technology. *[§1.25F-3(c)(7)]*

If a student's resides in State A and the state opts in, then they can spend the scholarships at a school in State B regardless of whether State B opts in.

80. What nondiscrimination, civil-rights, and disability protections apply to scholarship recipients? Does accepting a scholarship alter any rights the student otherwise has?

Receiving an FSTC scholarship does not alter a student's existing nondiscrimination or civil rights beyond those generally applicable to school students in that state. It also does not impact a public-school student's rights under the Individuals with Disabilities Education Act.

81. Is there a remedy, complaint procedure, or appeals process if my SGO fails to make an expected payment?

The proposed regulations do not create a special federal complaint, appeals, or payment-enforcement process for students or families if an SGO fails to make an expected scholarship payment. Any contractual or other remedies would generally depend on the SGO's scholarship policies, procedures, and otherwise applicable contract law.

82. What happens to a student's scholarship or outstanding expenses if an SGO loses eligibility, is suspended, or becomes insolvent?

The proposed regulations do not address what happens to previously awarded scholarships, outstanding payment commitments, or unpaid expenses if an SGO loses eligibility or becomes insolvent. If an SGO shuts down owing money to a student, school, or provider, those obligations would generally be governed by the SGO's agreements and otherwise applicable nonprofit or bankruptcy law.

For Donors / Taxpayers

83. How does the tax credit work?

Under the program, for each dollar you donate to a Scholarship Granting Organization you can deduct one dollar from your federal tax bill – up to $1,700 per taxpayer each year.

84. Who can claim the tax credit?

Any U.S. citizen or resident who pays federal income tax can claim an FSTC tax credit. *[§1.25F-2(a)(1)]* It does not matter where they reside, as long as they owe federal income tax.

85. Can a couple filing jointly receive $3,400?

Each partner in a joint return is considered a separate taxpayer eligible for a $1,700 credit. *[§1.25F-2(a)(2)]* Thus, a married couple filing jointly can receive a credit of up to $3,400.

86. What if my federal tax bill is less than $1,700 each year (or $3,400 for joint filers)?

The FSTC tax credit cannot exceed your federal income tax liability. *[§1.25F-2(d)]* However, any unused portion of the tax credit can be carried forward and applied to future tax bills, for up to five years. *[§1.25F-2(e)]*

For example, if your annual tax bill is $600, then you can donate $1,700 to a Scholarship Granting Organization in 2027, and pay no taxes for 2027, no taxes for 2028, and just $100 in taxes for 2029.

87. What if I have no tax liability?

The federal scholarship tax credits cannot reduce your liability below zero. So you cannot benefit from the tax credit if you pay no federal income taxes.

88. What is the difference between a tax credit and a deduction?

Tax credits directly reduce the amount of taxes you owe by 100% of the credit amount. Tax deductions indirectly reduce the tax you owe by reducing your taxable income.

89. What's an example of a tax credit vs. tax deduction?

Consider a person who makes $100,000 per year and has a marginal tax rate of 25%.

If they got a $1,000 tax deduction, that would reduce their taxable income by $1,000, and indirectly reduce the taxes they own by $250 (that's a $1,000 tax deduction * 25% marginal tax rate).

If they got a $1,000 tax credit, that would directly reduce the taxes they own by $1,000 (that's a $1,000 credit * 100% tax credit). To learn more, see this explainer by NerdWallet.

90. Can I donate to an SGO in another state? What if my state hasn't opted into the FSTC?

Yes, you can donate to any SGO on the official SGO list of a state that opts in, even if your state doesn't opt in. *[§1.25F-2(a)]*

91. Can I donate multiple SGOs?

Yes, and you can add the donations together to claim the full credit. However, your annual tax credit cannot exceed $1,700 for an individual or $3,400 for joint filers. *[§1.25F-2(a), (g)]*

92. I already contribute to an existing state education tax-credit program and receive a state tax credit. Can I also receive an FSTC tax credit?

Yes, if your donation is structured carefully. You cannot receive both a state tax credit and a federal FSTC credit for the same portion of a contribution. However, a single donation to an SGO (or multiple donations) can include both a portion designated as a federal "qualified contribution" and a separate non-qualified portion. As long as the federal tax credit portion of the donation and state tax credit portions don't overlap, you can claim both a state and federal tax credit. *[§1.25F-2(c)(2)]*

Due to the interaction between federal and state rules, donors seeking both credits should consult their tax adviser and coordinate with the SGO.

93. What forms of contribution qualify? For example, cash, stock or other property, donor-advised-fund distributions, and Bitcoin?

Only money contributions made from your personal assets qualify. You can transfer the money via physical cash delivery, check, money order, electronic money transfer, after-tax payroll deduction, or similar methods. [§1.25F-1(a)(12)(iii)] Donations of stock or other property would not qualify. Distributions from a donor-advised fund are not considered a contribution from you and also would not qualify. Donations of digital assets of any sort – such as Bitcoin – would not qualify.

94. I have a partnership or S-Corporation. Can I make a qualifying donation from there?

No. Only donations from your personal accounts can qualify for a tax credit. *[§1.25F-2(a)(3)]*

95. Can I earmark a donation for a specific student?

No, this practice is expressly forbidden in the law. *[§ 1.25F-3(c)(1)(vii)]*

96. Can I earmark a donation for a specific school or group of schools?

The federal regulations do not prohibit SGO from letting donors designate contributions for a particular class of students - such as those attending a specific school or group of schools. As long the SGO meets the requirement to give priority to returning students and their siblings to attend the same school, the SGO can allow donors to designated their contributions for a specific school or group of schools. *[§1.25F-3(c)(1)(vi)]*

97. Is there anything I can do to ensure my donation makes it back to my child?

You cannot donate $1,700 to an SGO with the understanding that your child will receive a $1,700 scholarship. *[§ 1.25F-3(c)(1)(vii)]* If you receive any tangible benefit for your donation, then your tax credit will be reduced by that amount. *[§1.25F-1(a)(12)(ii)]*

However, you can donate to an SGO and receive a scholarship from the same SGO (provided your FSTC donation does not exceed $5,000 and 2% of the SGO's tax credit revenues). You could donate to an SGO that honors donor designations for a specific school and designate your donation for your child's school. Doing so would result in more overall SGO scholarship funding for students in that school, and – indirectly – for your child as well.

98. If I donate to an SGO, can I also receive a scholarship from that SGO?

Yes, except in rare cases where a donor gives more than $5,000 to an SGO in a single year AND their donation is 2% or more of the SGO's total annual donations. Such a major donor would be considered a "substantial contributor" and could not receive a scholarship from that SGO. *[§1.25F-3(d)(2)]*

But if a donor keeps their donation below $5,000 or makes sure they are donating to a large SGO so their donation is less than 2% of annual revenues, then this won't be problem.

99. Can I donate more than the annual credit limit? How is the excess contribution treated for tax purposes?

If you donate more than the annual credit limit – $1,700 for single filers, $3,400 for joint filers – then the remainder could generally be treated as a normal tax-deductible charitable contribution. *[§ 1.25F-4(h)]* Donors should consult a tax advisor if they intend to take advantage of a tax deduction.

100. When do I get the credit for my donation?

You get the credit when you file taxes for the calendar year when you made the donation. So if you donated to an SGO in 2030, then you would claim the credit on your 2030 taxes. *[§1.25F-2(a)(1)]*

101. Do I need to be a parent in order to donate?

No. Any taxpayer can donate to a Scholarship Granting Organization and get a tax credit.

102. What type of receipt, certification, Unique Donor Number, or other substantiation must I obtain for my donation?

Each year between January 1 and January 31, your SGO will send you a report of the total amount you donated to them in the prior year. The report will include a Unique Donor Number and other information you need to file your taxes. *[§ 1.25F-4(c)]*

103. How do I actually claim the credit on my tax return?

When you file your taxes, you use the annual report from your SGO to complete Form 8525 *Federal Scholarship Tax Credit* and file it along with your taxes. *[§ 1.25F-2(g)(1)]*

104. What if I contribute to multiple SGOs?

By January 31, Every SGO that you donated to in the prior year must sent you an annual report of how much you donated. *[§ 1.25F-4(c)]* You will use these reports to complete Form 8525 *Federal Scholarship Tax Credit*, listing all the SGOs you donated to, total amounts donated, and your Unique Donor Number as report by each SGO. *[§ 1.25F-2(g)(1)]*

105. Can I make qualified contributions to an SGO via payroll deductions coordinated with my employer?

Yes, if your employer offers this option.

Note that the donations must be deducted from your payroll "after tax." So the SGO donations can be deducted automatically from your payroll after applicable taxes have been deducted. [§1.25F-1(a)(12)(iii)]

106. Can employees reduce their tax withholding by the expected credit amount?

Yes. If an employee intends to make a tax-creditable donation to an SGO, then they can update their Form W-4 (the employee tax withholding form) to reduce their federal income tax withholding. Employees can include the annual credit they reasonably expect to claim in their Step 3 total. This can make it painless for employees to donate to the program. (See 2027 Draft Form W-4)

For example, consider an employee who donates $50 per paycheck over 26 paychecks gives $1,300 for the year. Assuming they qualify for the full $1,300 credit and have sufficient federal income tax withheld each pay period, a W-4 adjustment in effect for all 26 paychecks can reduce withholding by about $50 per paycheck, leaving their take-home pay essentially unchanged. The employee then claims the credit when filing their federal income tax return.

107. What privacy and data-use requirements apply to donor information collected by an SGO? May an SGO use that information for broader fundraising or engagement beyond administering the donor's SGO contribution?

The federal regulations do not impose any new donor privacy or data-use restrictions on SGOs. They would be bound by the otherwise applicable federal and state laws for protecting donor data.



The Opportunity Fund for Jewish Education

About this Document.

This document was prepared by the Teach Coalition Office of Jewish Education Policy and Research to promote awareness and understanding of the new Federal Scholarship Tax Credit program.

Teach Coalition is a division of the Orthodox Union founded in 2013 to advocate for government funding for Jewish schools. Through advocacy, grassroots mobilization, and government engagement, Teach Coalition works to secure equitable funding and essential resources for nonpublic school students and families.

Across seven states, Teach Coalition represents approximately 90% of Jewish day school and yeshiva students and has helped secure billions of dollars in government funding for school security, STEM education, transportation, special education services, scholarships, and more.