FEDERAL SCHOLARSHIP TAX CREDIT COALITION

A 50-State Group Committed to Successful Implementation of the New FSTC

FSTC – An Historic Expansion of Education Freedom & Opportunity

For K-12 Parents and Students

The new Federal Scholarship Tax Credit (FSTC) law, also known as the Education Freedom Tax Credit (EFTC), will dramatically expand education freedom for K-12 parents and students across the country. The U.S. Treasury Department estimates that 96% of K-12 students (53 million) will be eligible for these scholarships, and Treasury economists estimate that the FSTC will eventually generate $26 billion annually for K-12 scholarships. Giving parents more direct control over their children's educations is a proven strategy to improve student outcomes and encourage all schools to perform better.

For Taxpayers

Starting January 1, 2027, taxpayers can take a dollar-for-dollar credit for donations to certified scholarship granting organizations (SGOs). Contributing individual federal taxpayers may annually receive scholarship tax credits up to $1,700 (or up to $3,400 for married couples). Donations of appreciated assets are prohibited, and contributions must be made during the calendar year. Contributions above one's tax liability can be carried forward for up to five years.

For Scholarship Granting Organizations

SGOs must be an IRS-recognized 501(c)(3) nonprofit, must be registered to do business in a state that opts in, must register on the U.S. Treasury Department portal, and must be listed on the State SGO List. If at least 85% of an SGO's work is related to granting scholarships, it qualifies for a "safe harbor," where the required 90% for scholarship expenditures is calculated solely based on qualified EFTC contributions; tax-exempt contributions may supplement the SGO's FSTC non-scholarship and scholarship spending. For SGOs below the 85% threshold, 90% of their total income must go towards scholarships.

SGOs determine the size and type of scholarships for students in traditional public, charter, private, religious, home and micro schools. SGOs are required to ensure that their scholarships only cover allowable education expenses—for example, tutoring, afterschool programs, private school tuition, special needs services, transportation, books and supplies, and educational technology.

For States

States must opt in or students in their jurisdiction cannot access these scholarships. Governors (or other designated state official) must include on their State SGO Lists any SGO that complies with the federal law's requirements; they cannot restrict participation to certain, favored SGOs. States are not permitted to impose their own FSTC-specific regulations on schools or SGOs.

If a state does not opt in, its residents can still receive the federal credit by donating to an SGO authorized to operate in another state, benefitting students residing in that other state. State budgets are not impacted when States opt in.

For more detailed information, go to our Resources Page.