



# Federal School Choice Tax Credit:

## K-12 SCHOLARSHIPS FOR EVERY STATE

**On July 4th 2025, K-12 education in America changed forever.** The President signed into law a revolutionary change to the tax code which will allow nearly every family the opportunity to access K-12 scholarships in their state. Visit [FederalScholarships.com](https://FederalScholarships.com) to learn more.

### How Does It Work?

Every taxpayer in America is eligible to donate to a non-profit scholarship-granting organization (SGO) to receive the tax credit.

There is no annual aggregate cap nationwide.

Each taxpayer can donate up to \$1,700 to an SGO and will receive a dollar-for-dollar federal income tax credit for that contribution.

This tax credit is operated out of the Department of the Treasury, not Department of Education.

### Who Benefits?

Student eligibility is 300 percent of median gross income by area, which covers approximately 90 percent of the K-12 students in every state.

A student must be eligible to enroll in a public elementary or secondary school.

### Key Facts for States:

A state that elects to participate shall annually submit a list to the Secretary of the Treasury of SGOs that meet the requirements outlined in the federal law.

A strict reading of the law would not allow a state to impose restrictions on which SGOs can participate, how many SGOs can participate, nor restrict the type of school where a family can use their scholarship.

The scholarship tax credit has no effect on what the federal government or a state government provides for K-12 education.

In a state with an existing scholarship tax credit program where a taxpayer receives a 100 percent non-refundable state credit, the taxpayer must make a separate contribution to receive the federal credit.

### SGO Requirements:

Must be a 501(c)(3) organization; cannot be a private foundation;

90% of income from qualified contributions must be spent on scholarships;

Can only expend funds on qualified expenses (Section 530b of the federal code): tuition, fees, tutoring, special needs services, curriculum materials, supplementary items and services, transportation, computer technology or equipment.

Must provide scholarships to 10 or more students and at more than one school;

Scholarships must be preferenced for prior-year students and siblings;

Must verify student eligibility;

Must prevent co-mingling of qualified contributions with other amounts by maintaining one or more separate accounts.

### What Should Donors Know?

Every taxpayer with a federal tax liability can make donations to an SGO in any state in the country that has opted in;

If a donor lives in a state that has NOT opted in, the donor can send their contribution out of state;

Donors cannot earmark scholarships for an individual student;

Donors may earmark scholarships for particular schools;

Contributions to SGOs must be cash contributions.

### What is Next?

The U.S. Treasury Department will issue rules for implementation of the law prior to its January 1, 2027 effective date.



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