PROGRAMS & FUNDING

Federal Tax Credit Quick Sheet

The Federal Education Freedom Tax Credit (Section 25F), begins January 1, 2027: donor vs. scholarship family, on one page.

The most important thing to understand: this credit is for **donors**, not for parents' own school expenses. Families can **apply to a Scholarship Granting Organization (SGO)** for a scholarship.

If you're a donor

- [ ] Give **cash** to an approved **Scholarship Granting Organization (SGO)**.
- [ ] Claim a federal tax credit of up to **$1,700** per taxpayer per year (up to **$3,400** for a married couple filing jointly).
- [ ] Only cash gifts made on or after **January 1, 2027** count.
- [ ] The credit is **nonrefundable**: it can reduce your federal tax to zero but won't pay out more. Unused credit carries forward up to five years.
- [ ] Ask a tax professional how it applies to you.

If you're a family seeking a scholarship

- [ ] Parents **don't** claim the credit for their own child's tuition or supplies, and the government doesn't send money to families.
- [ ] A student may be eligible if they live in a **participating state**, are eligible to enroll in a public school, and live in a household at or below **300% of area median income**.
- [ ] Eligibility doesn't guarantee an award. SGOs choose recipients, and by law they give priority to returning scholarship students and their siblings.
- [ ] Find SGOs in your state and ask about their application process and dates.

What scholarships can pay for

The law uses the same K–12 expense list as Coverdell education savings accounts, including:

- [ ] Tuition and fees
- [ ] Tutoring
- [ ] Special needs services
- [ ] Books, supplies, and equipment
- [ ] School-required uniforms, transportation, and extended-day programs
- [ ] Computer technology and internet access used during school years

Scholarships can be used for public, private, or religious school students. Final IRS guidance on qualified expenses, and on what counts as a "school," is still pending, which matters especially for homeschool and independent study. Each SGO also sets its own policies.

Credit vs. deduction

A **deduction** lowers the income you're taxed on. A **credit** lowers the tax itself, dollar for dollar.

States opt in

Students can receive scholarships only if their state has opted in, and states decide again each year. Donors can give to an SGO in a participating state even if their own state hasn't opted in. Check the current list on irs.gov ("Federal Scholarship Tax Credit").

General information only, not tax or legal advice. Based on the law and IRS information as of November 2026; final IRS guidance is still pending. Confirm details with irs.gov, an SGO, or a tax professional.