Agudath Israel of America
אגודת ישראל באמריקה

New Federal Scholarship Tax Credit

*The One Big Beautiful Bill Act **permanently** enshrined the nation's **first federal K-12 scholarship tax credit** into law. Beginning in 2027, the new provision has the potential to significantly expand educational opportunities to **all 50 states**. Scholarship **amounts are not capped** and **nearly all families are eligible**. The scholarships are funded by donations to approved nonprofit organizations from taxpayers who receive a **dollar-for-dollar tax credit** in return**.** The maximum credit amount is **$1,700 per taxpayer**, but there **is no overall cap** on the amount of tax credits per state or per year, allowing scholarship organizations to raise funds from every individual taxpayer in the country.*

FOR PARENTS

- Family must be 300% or below of the area median gross income. (Look up your county on HUD site)
- Students apply to scholarship granting organizations (SGO) approved to operate in your state.
- No cap on maximum scholarships. Amount is determined by the SGO.
- In states with existing programs, scholarships can be stacked on top of state scholarships.
- Scholarships can be awarded for all expenses eligible for a Coverdell account such as:
    - tuition, fees, academic tutoring, special needs services, books, supplies, and other equipment, room and board, uniforms, transportation, and supplementary items and services (including extended day programs), and computer technology or equipment or internet access and related services.

FOR DONORS

Beginning in 2027, donors in all 50 states (and DC) who contribute to an SGO can receive:

- a 100%, dollar-for-dollar **credit** (not a deduction) against individual income tax:
    - up to $1700 per taxpayer annually
    - non-refundable
    - can carryover for 5 years if insufficient tax liability
    - deadline to donate is December 31st each year
    - may not earmark to specific students, but can earmark to a school or group of schools if SGO allows
    - can't take a federal deduction (for the same donation)
    - credit shall be reduced by the amount allowed as a credit on any State tax return (if state has program)

FOR SCHOLARSHIP GRANTING ORGANIZATIONS

- Must be a 501 c 3 and not a private foundation
- Must spend 90 percent of income on qualified scholarships
- Must have one or more separate accounts exclusively for qualified contributions,
- Must be on annual list of SGOs submitted by governor or authorized state official to the Treasury Department
- Must serve 10 or more students in more than one school
- Does not provide scholarships for any expenses other than qualified expenses
- Must prioritize previous scholarship recipients followed by siblings of previous recipients
- Does not allow earmarking to specific students
- Verifies income to determine eligibility
- May not award a scholarship to a disqualified person (see section 4946)

Agudath Israel of America does not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only. Interpretations of statute may change pending Treasury's official regulations.