



FEDERAL SCHOLARSHIP TAX CREDIT IMPLEMENTATION MANUAL

A PRACTICAL GUIDE FOR CCLE SCHOOLS 2027

CCLE Press, October 2026.

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INTRODUCTION

This manual is designed to help CCLE schools understand and prepare to benefit from the new federal scholarship tax credit under Internal Revenue Code (IRC) Section 25F (§25F). It provides practical guidance for school leaders, including steps schools can take now, how to identify and evaluate a qualified Scholarship Granting Organization (SGO), how to communicate with families and prospective donors, how to coordinate scholarship payments and related procedures internally, and what information should be verified as implementation progresses toward the program's January 1, 2027, launch.

Federal and state implementation of the program is still developing. Schools should therefore verify the most current IRS list of participating states, their state's approved SGO list, and the eligibility and status of any prospective SGO partner before representing a contribution as qualifying for the federal tax credit.

The information in this manual reflects IRS and U.S. Department of the Treasury guidance available as of September 2026. On July 24, 2026, the IRS reported that 30 states had submitted advance elections to participate beginning in 2027. The IRS further states that a participating state must submit its list of eligible SGOs before taxpayers may make qualifying contributions to an SGO in that state.

This manual is intended solely for general informational and planning purposes and does not constitute legal, accounting, or tax advice. Schools, SGOs, families, and donors should confirm current federal and state requirements and consult qualified legal, tax, or financial professionals when appropriate.

INITIAL ACTION ITEMS FOR SCHOOLS

1. Name one school administrator to serve as the SGO coordinator.
2. Confirm whether your state is participating for 2027 on the IRS Federal Scholarship Tax Credit page.
3. Stay up-to-date via the Educational Freedom Act website: <https://eftccredit.com/> and other websites listed in section VIII of this manual.
4. Identify the state agency responsible for implementation and subscribe to updates if available.
5. Contact one or more likely SGOs and ask whether they intend to be included on the state's federal §25F SGO list.
6. Gather the documents an SGO is likely to request from your school.

7. Decide how SGO scholarships will interact with the school's tuition contracts and existing financial aid.
8. Do not begin donor solicitation using the federal tax-credit claim until the applicable SGO is officially qualified.

UNDERSTANDING THE PROGRAM

THE BASIC STRUCTURE

The IRC§ 25F establishes a federal tax credit of up to \$1,700 per year for individual (\$3,400 per married couple) cash donations made to qualifying SGOs starting in 2027.

Key Rules¹ of IRC §25F:

- Federal law requires participating states to identify qualifying SGOs. An advance state election² alone does not complete the process.
- Current federal materials identify eligible students by reference to household income not exceeding 300% of area median gross income, with the SGO responsible for verification.
- An SGO generally must be a qualifying 501(c)(3), award scholarships to at least 10 students who do not all attend the same school, use at least 90% of qualifying income for scholarships, and comply with federal and state requirements.
- A nonrefundable tax credit worth 100% of qualified cash donations, capped at \$1,700 (\$3,400 per married couple) per taxpayer each year.
- The tax credit is not automatic nationwide; states must voluntarily choose to opt in and submit approved SGO lists to the Internal Revenue Service.
- Scholarships are restricted to K-12 students from households with incomes at or below 300% of the area median gross income.
- Unused tax credits can be carried forward for up to five subsequent taxable years on a first-in, first-out basis.
- Donations used for the IRC §25F credit cannot also be deducted as standard charitable contributions under Section 170.

¹ Final implementation details should be checked against forthcoming Treasury/IRS regulations and state guidance.

² See Glossary, XI, 18.

The IRC §25F begins January 1, 2027. Individual taxpayers may claim a nonrefundable federal income tax credit for qualifying cash contributions to SGOs, subject to the federal annual limit. The school is not the recipient of the tax-credit contribution.

The Steps for Participation in IRC §25F:

1. Donor makes a qualifying cash contribution to an approved SGO.
2. Donor claims the federal credit, subject to applicable federal rules.
3. Eligible family applies for scholarship assistance through the SGO.
4. SGO verifies eligibility and awards the scholarship.
5. SGO pays qualified education expenses to or on behalf of the student.
6. School applies the scholarship payment to the student's account and maintains appropriate records.

THE ROLE OF THE SCHOOL

School DOES	School DOES NOT
Partners with qualified SGOs	Receive the donor's §25F contribution directly
Helps families understand how to apply	Promise a donor that a gift qualifies before SGO status is verified
Verifies enrollment and tuition when requested	Allow donors to earmark an SGO gift for a particular student
Receives/applies scholarship payments	Determine federal tax eligibility for donors
Coordinates scholarships with school financial aid	Guarantee that an applicant will receive a scholarship
Maintains records and reconciles student accounts	Provide individualized tax advice

SCHOOL READINESS

SCHOOL READINESS CHECKLIST

- ☐ Designate school SGO coordinator and backup contact.
- ☐ Confirm state participation on IRS website.
- ☐ Identify state implementing agency and official contact page.
- ☐ Identify at least one prospective SGO partner.
- ☐ Ask SGO whether it plans to seek/has received federal §25F listing.
- ☐ Obtain SGO school-participation agreement and review it.
- ☐ Confirm school eligibility requirements with the SGO.
- ☐ Gather accreditation/recognition documentation (see section III B of this manual).
- ☐ Gather current tuition and fee schedule.
- ☐ Prepare enrollment verification process.
- ☐ Prepare W-9/payment/banking information if requested.
- ☐ Decide who posts SGO payments to student accounts.
- ☐ Establish policy for interaction with institutional financial aid.
- ☐ Update tuition agreement if outside scholarship treatment needs clarification.
- ☐ Draft family FAQ.
- ☐ Draft donor FAQ.
- ☐ Train admissions, business-office, advancement, and front-office staff.
- ☐ Verify final SGO status immediately before public launch.

DOCUMENTS TO HAVE READY

- | | |
|---|---|
| • School legal name and EIN/W-9 | • Enrollment verification form or process |
| • Accreditation, recognition, or state approval documentation | • Financial-aid policy |
| • School address and primary contacts | • Refund/withdrawal policy |
| • Current tuition and mandatory fee schedule | • Payment/remittance instructions |
| • Admissions/enrollment policies | • Any assurances required by the SGO or state |

CHOOSING AND WORKING WITH AN SGO

SGO VETTING CHECKLIST

- ☐ Is the organization currently eligible under the state's existing scholarship program, if one exists?
- ☐ Does it intend to apply for inclusion on the state's federal §25F SGO list?
- ☐ When does it expect federal/state confirmation?
- ☐ Does it serve religious schools, including Lutheran schools?
- ☐ Can our school become a participating school?
- ☐ What documentation and agreements are required?
- ☐ How will families apply, and what is the application calendar?
- ☐ How will student income eligibility be verified?
- ☐ How are scholarships awarded and prioritized?
- ☐ Can scholarship funds be restricted by geography, school type, or other permissible criteria?
- ☐ How are donor contributions handled, acknowledged, and reported?
- ☐ What administrative fees, if any, affect scholarship funds?
- ☐ How and when are scholarship payments remitted to schools?
- ☐ What happens if a student withdraws or transfers?
- ☐ What reports or certifications must the school provide?
- ☐ Who is our ongoing SGO contact?

SUGGESTED SGO CONTACT SCRIPT

Our school is preparing for the federal scholarship tax credit under IRC §25F beginning in 2027. We understand that qualifying donations must be made through an SGO included on our state's federal list. We would like to determine whether your organization intends to participate in the federal program and whether our school can become a participating school. Could you please provide information about your expected federal status, school eligibility requirements, participation agreement, family application process, scholarship-payment procedures, and implementation timeline?

INTERNAL SCHOOL WORKFLOW

RECOMMENDED WORKFLOW

Responsible party	Action
Admissions/Financial Aid	Tell potentially eligible families about the SGO opportunity; direct them to the SGO application; do not promise an award.
Family	Completes the SGO application and supplies required eligibility information directly to the SGO.
SGO	Determines eligibility and award; requests enrollment/tuition verification from school as needed.
School SGO Coordinator	Completes verification accurately and records expected award.
School Office	Receives payment, posts it to the correct student account, reconciles it, and applies school policy regarding existing aid.
School/Family	Addresses any remaining tuition balance according to the tuition agreement.
School SGO Coordinator	Maintains correspondence, award notices, payment records, and required certifications.

QUESTIONS TO RESOLVE IN SCHOOL POLICY

- Will an SGO award reduce institutional need-based aid, or will the school allow stacking where permitted?
- How will the school handle an award received after a family has already paid tuition?
- How will refunds be handled if a student withdraws?
- Who has authority to certify enrollment and tuition to the SGO?
- How will expected but unpaid scholarship awards be reflected on student accounts?
- How will the school protect confidential financial information?
- Which office owns communication with families: admissions, financial aid, business office, or a designated coordinator?

FAMILY AND DONOR COMMUNICATIONS

FAMILY COMMUNICATIONS

Schools can adapt the following FAQs for families:

What is the federal scholarship tax credit? It is a federal tax-credit program beginning in 2027 that encourages qualifying contributions to approved Scholarship Granting Organizations. Those organizations use contributions to provide scholarships for eligible K-12 students.

Does the school award the scholarship? No. The SGO administers the scholarship program and determines eligibility and awards.

Who may qualify? Federal law establishes an income ceiling tied to 300% of area median gross income. The SGO will determine eligibility under the final federal and state rules.

Does applying guarantee a scholarship? No. Eligibility does not necessarily guarantee an award. Funding, SGO policies, and application rules may affect awards.

Can the scholarship be used at our school? Only if the school is accepted by the relevant SGO, and the award may be used for the student's qualified education expenses at the school.

How do I apply? Apply directly through the school's approved SGO partner. The school can provide the SGO's official application information once available.

DONOR COMMUNICATIONS

Schools can adapt the following FAQs for their potential donors:

Can I give the qualifying contribution directly to the school? No. A contribution intended to qualify for the federal §25F credit must be made to an eligible SGO under the applicable rules.

How large is the federal credit? Federal materials currently provide for a nonrefundable credit of up to \$1,700 per taxpayer (\$3,400 per married couple) for qualifying cash contributions, subject to final rules and the donor's individual tax situation.

Can I designate my gift for a particular student? No. Qualifying SGO contributions cannot be earmarked for a specific individual student.

Can I claim both the federal credit and a federal charitable deduction for the same contribution? No. The attached CCLE overview notes that the same contribution cannot also be claimed as a federal charitable deduction.

Should I rely on the school for tax advice? No. Donors should consult their own tax adviser regarding their individual circumstances.

COMMUNICATION GUARDRAILS

- Prefer: "Qualifying contributions to an approved SGO may be eligible for the federal scholarship tax credit."
- Avoid: "Give \$1,700 and you will get all of it back."
- Prefer: "Our school is working with [SGO], subject to final federal/state qualification."
- Avoid naming an SGO as federally approved until that status is verified.
- Prefer: "Eligible families may apply for scholarships."
- Avoid: "Your family will receive a scholarship."
- Keep tax explanations general and direct donors to their own advisers.

IMPLEMENTATION CALENDAR

Timing	School action
Now - September 2026	Assign coordinator; verify state status; contact SGOs; gather documents; review tuition/aid policies.
Late September/Fall 2026	Review Treasury/IRS proposed regulations when issued; revise procedures and FAQs to match final/proposed rules that apply for 2027.
October–November 2026	Complete SGO onboarding where possible; train admissions/business/advancement staff; prepare website and parent materials.
When state SGO list becomes available	Verify chosen SGO appears on the applicable list and confirm any final school-participation requirements.
December 2026	Final compliance review; confirm donation links and scholarship application links; communicate with current/prospective families.
January 1, 2027	Program begins. Launch only with verified information and approved SGO channels.
2027 ongoing	Reconcile payments; maintain records; review state/IRS updates; assess enrollment and financial-aid impact.

OFFICIAL RESOURCES

[IRS – Federal Scholarship Tax Credit \(participating states and implementation updates\)](#)

[IRS – Advance election announcement and Revenue Procedure 2026-6](#)

[IRS – Notice 2025-70 implementation request for comments](#)

[U.S. Treasury – Education Freedom Tax Credit guidance preview](#)

[Alabama Department of Revenue – Federal SGO program implementation example](#)

[Indiana Department of Revenue – Existing School Scholarship Credit / SGO program](#)

[The Education Freedom Tax Credit \(EFTC\)](#)

ONE-PAGE ADMINISTRATOR CHECKLIST

- ☐ Designate school SGO coordinator and backup contact.
- ☐ Confirm state participation on IRS website.
- ☐ Identify state implementing agency and official contact page.
- ☐ Identify at least one prospective SGO partner.
- ☐ Ask SGO whether it plans to seek/has received federal §25F listing.
- ☐ Obtain SGO school-participation agreement and review it.
- ☐ Confirm school eligibility requirements with the SGO.
- ☐ Gather accreditation/recognition documentation.
- ☐ Gather current tuition and fee schedule.
- ☐ Prepare enrollment verification process.
- ☐ Prepare W-9/payment/banking information if requested.
- ☐ Decide who posts SGO payments to student accounts.
- ☐ Establish policy for interaction with institutional financial aid.
- ☐ Update tuition agreement if outside scholarship treatment needs clarification.
- ☐ Draft family FAQ.
- ☐ Draft donor FAQ.
- ☐ Train admissions, business-office, advancement, and front-office staff.
- ☐ Verify final SGO status immediately before public launch.

INFORMATION TO TRACK FOR EACH SGO

Field	School record
SGO legal name	
Website	
Primary contact	
Phone/email	
Federal §25F list confirmed? Date verified	
State approval confirmed? Date verified	
School agreement signed?	
Family application opens/closes	
Award timing	
Payment schedule	
Required school verification	
Withdrawal/refund procedure	
Administrative fee information	
Notes / follow-up date	

DISCLAIMER

This manual uses current IRS and Treasury materials available September 16, 2026. The IRS currently lists 30 states with advance elections for 2027 as of July 24, 2026 and states that a participating state must also provide its SGO list before taxpayers can make qualifying contributions to an SGO in that state.

This manual is for general informational and planning purposes and is not legal, accounting, or tax advice. Schools, SGOs, families, and donors should verify current federal and state requirements and consult qualified professional advisers where appropriate.

GLOSSARY OF TERMS

501(c)(3) - A nonprofit organization that is exempt from federal income tax because it operates for religious, charitable, scientific, literary, or educational purposes.

Advance Election - An election made by a state indicating its intent to participate in the Federal Scholarship Tax Credit program for 2027. An advance election does not, by itself, complete the state's participation process. The state must also identify and submit its list of eligible Scholarship Granting Organizations (SGOs).

Area Median Gross Income (AMGI) - An income measure used in determining student eligibility under the federal program. Current federal materials describe eligible students by reference to household income not exceeding 300% of area median gross income. The applicable SGO is responsible for verifying eligibility under federal and state requirements.

EIN (Employer Identification Number) - A federal tax identification number assigned to an organization by the IRS. A school may be asked to provide its EIN as part of the documentation required by an SGO.

Eligible Student - A student who satisfies the applicable federal, state, and SGO requirements for scholarship eligibility. Eligibility does not necessarily guarantee that a student will receive a scholarship.

FAQ - Frequently asked questions.

Federal Scholarship Tax Credit (FSTC) - The federal income tax credit established under IRC §25F for qualifying cash contributions made by individual taxpayers to eligible Scholarship Granting Organizations. The program begins January 1, 2027.

Federal §25F SGO List - The list of Scholarship Granting Organizations submitted by a participating state for purposes of the federal scholarship tax credit. Schools should verify that an SGO has the required federal and state status before promoting contributions as eligible for the federal credit.

Financial Aid - Tuition assistance provided to a student or family. For purposes of this manual, institutional financial aid generally refers to assistance funded or controlled by the school, as distinguished from scholarship funds awarded through an outside SGO.

IRC §25F - Section 25F of the Internal Revenue Code, which establishes the federal tax credit for qualifying contributions to Scholarship Granting Organizations.

IRS (Internal Revenue Service) - The federal agency responsible for administering and enforcing federal tax laws. The IRS provides information regarding participating states and federal implementation of the scholarship tax credit.

Nonrefundable Tax Credit - A tax credit that may reduce a taxpayer's federal income tax liability, subject to applicable rules, but generally does not result in a refund for an amount exceeding the taxpayer's eligible tax liability.

Participating School - A school that has satisfied the requirements of an eligible SGO to receive scholarship payments on behalf of qualifying students. Requirements may vary by SGO and state.

Participating State - A state that has elected to participate in the federal scholarship tax credit program and completes the additional federal requirements necessary for participation, including submission of its list of eligible SGOs.

Qualified Education Expenses - Education-related expenses for which an SGO scholarship may be used under applicable federal and state requirements. Schools should confirm allowable expenses with the relevant SGO and current federal and state guidance.

Qualifying Contribution - A cash contribution to an eligible SGO that satisfies the requirements for the federal scholarship tax credit. A contribution made directly to a school does not qualify for the §25F credit.

Scholarship Award - Financial assistance awarded by an SGO to or on behalf of an eligible student for qualified education expenses. Eligibility for the program does not guarantee an award.

Scholarship Granting Organization (SGO) - An organization that meets applicable federal and state requirements to receive qualifying contributions and award scholarships to eligible students. Under the framework described in this manual, an SGO generally must be a qualifying 501(c)(3) organization, award scholarships to at least 10 students who do not all attend the same school, use at least 90% of qualifying income for scholarships, and satisfy other applicable federal and state requirements.

SGO Coordinator - The school administrator or staff member designated to oversee the school's relationship with SGOs. Responsibilities may include maintaining SGO communications, completing enrollment and tuition verifications, tracking awards and payments, maintaining required records, and coordinating communication among families and school offices.

SGO Partner - An eligible Scholarship Granting Organization with which a school works to facilitate scholarship opportunities for qualifying students. Schools should verify an organization's current federal and state eligibility before describing it publicly as an approved partner for the federal program.

SGO Participation Agreement - An agreement between an SGO and a participating school establishing the requirements, responsibilities, procedures, and conditions under which the school may receive scholarship payments.

Stacking - The practice of allowing a student or family to receive an SGO scholarship in addition to other scholarships or institutional financial aid, where permitted. Schools should establish a clear policy regarding how SGO awards interact with existing school-funded aid.

State Implementing Agency - The state agency or designated governmental authority responsible for administering or coordinating the state's participation in the federal scholarship tax credit program.

Tax Credit - An amount that may reduce an eligible taxpayer's tax liability. A tax credit is different from a tax deduction, which generally reduces the amount of income subject to tax.

Tax Deduction - An amount that may reduce taxable income when permitted under applicable tax law. As noted in this manual, a taxpayer may not claim both the federal §25F credit and a federal charitable deduction for the same qualifying contribution.

Treasury / U.S. Department of the Treasury - The federal department responsible for overseeing the nation's financial and tax systems. The Treasury Department and IRS are responsible for developing and administering federal guidance for implementation of the scholarship tax credit.

Tuition Agreement - The contract or agreement governing a family's financial obligations to a school. Schools should review their tuition agreements to determine how outside scholarships, including SGO awards, will be applied to student accounts.

W-9 - An IRS form used to provide an organization's taxpayer identification information. An SGO may request a W-9 from a participating school as part of its onboarding or payment process.