



Fact Sheet: President Trump Delivers Affordable School Choice Options Through Education Freedom Tax Credit

President Trump's Working Families Tax Cuts Act delivers the largest national expansion of education freedom in history and provides families with more affordable education options. Beginning January 1, 2027, the new federal tax credit provides up to \$1,700 per individual (up to \$3,400 for married couples filing jointly) for qualified cash contributions to a Scholarship Granting Organization (SGO). SGOs are nonprofits that accept qualified contributions from individuals and use the funds to provide scholarships to students for education-related services, including tuition, fees, academic tutoring, extended day programs, and supplies.

Treasury estimates that approximately 95 percent of American children live in households that meet the credit's income limit. Scholarships depend on state participation, student eligibility, and available SGO funding. The Education Freedom Tax Credit will lower costs for parents and families, whether they choose to use these resources to send their child to a new school, pay for private tutoring, or provide other educational supports.

What is the Education Freedom Tax Credit?

The Education Freedom Tax Credit supports national education choice. A tax credit reduces Federal income tax dollar-for-dollar, unlike a deduction, which reduces taxable income. The credit is available to U.S. citizens and residents who make qualified cash contributions to SGOs. Under Treasury's proposed rules, each spouse may claim up to \$1,700 based on that spouse's own qualified contributions, for up to \$3,400 on a joint return.

SGOs use these funds to provide scholarships to students to pay for education expenses, such as attending a school of choice or accessing other education-related services and products. Families apply to SGOs for scholarships. Qualifying scholarships are excluded from federal taxable income; a family receiving a scholarship does not need to owe federal income tax to benefit.

The donor's annual credit limit does not limit the size of a student's scholarship. SGOs determine scholarship amounts based on their missions, available funds, and students' qualified expenses; awards may not exceed the expenses they cover.

Qualified contributions made on or after January 1, 2027, can qualify for the credit. Qualified

contributions made in 2027 are claimed on the donor's 2027 federal income tax return, generally filed in 2028.

How does the Education Freedom Tax Credit work?

First, a state must opt in to become a "covered state." A covered state is one of the States or the District of Columbia that voluntarily elects to participate in this tax credit for a calendar year and identifies qualifying SGOs in that state.

The statute provides that the Governor or "other individual, agency, or entity designated under State law to make such elections on behalf of the state with respect to Federal tax benefits" can make the election to opt in on behalf of the state.

Second, a state that has elected in must submit its list of qualifying SGOs and required certifications to the IRS. For 2027, states must submit an advance election on Form 15714 by January 1, 2027, and their SGO lists by February 15, 2027. For later years, SGO lists generally are due by January 1 of the year of participation.

Third, a donor makes a cash contribution to a qualifying SGO and tells the SGO at the time of the donation that it is intended to qualify for this credit. Donors should check the IRS SGO list before giving and keep the SGO's written acknowledgement, including their unique donor number. The SGO must provide that acknowledgement by January 31 of the following year. Donors may not earmark contributions for a particular student.

Fourth, the donor claims the credit when filing the donor's annual federal income tax return, using the SGO's acknowledgement. The credit is nonrefundable: it can reduce federal income tax to zero, but any credit exceeding that year's tax liability is not paid out as a refund. Unused credit may be carried forward for up to five years.

State tax credits claimed for the same qualified contributions reduce the amount eligible for the federal credit before the \$1,700 per-person cap applies. A donor cannot also claim a federal charitable deduction for the portion of a contribution used for this credit.

Which students qualify for scholarships through the Education Freedom Tax Credit?

Students eligible to enroll in a public elementary or secondary school and from a household whose prior-year income is no more than 300 percent of the area's median gross income, adjusted for family size, may qualify for a scholarship through the Education Freedom Tax Credit. Treasury's proposed regulations provide for streamlined eligibility verification rules for foster children, households participating in certain needs-based programs, and students receiving certain school-based special education or tutoring services in low-income areas. Eligibility does not guarantee a scholarship; families should contact participating SGOs about applications and available awards.

Who can claim the Education Freedom Tax Credit?

U.S. citizens and residents who make qualified cash contributions to an eligible SGO may claim the

credit. Donors may support SGOs in any participating state, even if their own state has not opted in, and do not need to itemize deductions. Scholarships funded by those contributions must serve eligible students residing in a state where the SGO is listed.

What is a Scholarship Granting Organization?

A Scholarship Granting Organization (SGO) is a qualifying public charity that awards scholarships to eligible K–12 students. SGOs must meet a 90-percent scholarship spending requirement, keep qualified contributions in separate accounts, and provide scholarships to at least 10 students who do not all attend the same school. They must be on a participating state's SGO list and meet additional requirements.

What can the scholarships be used for?

Scholarships can be used for any qualified education expense of an eligible student, which includes a broad set of expenses incurred in connection with or required by a K–12 public, private (including religious), or charter school. Examples include tuition for students to attend a school of choice, tutoring for students attending a local public school, special education services for students with disabilities, books, supplies, and qualifying extended day programs.

The options are expected to vary in line with students' unique academic needs, the focus of a particular SGO, and the educational opportunities available to students.

How will this expand education opportunities for American students?

These scholarships are expected to empower families to select the schools, learning services, supports, or materials best suited to their children's needs. In participating states, more families will have access to schools that align with their values and aspirations for their own children. And a strong body of empirical research demonstrates that when families can choose the schools their children attend, academic outcomes and attainment improve significantly, civic engagement increases, parent perspectives on school safety improve, parental involvement with their children's education increases, and families are happier with their children's educational experience.

How many students could benefit from this credit?

Treasury and IRS estimate that, by 2030, more than 11 million donors could contribute \$26 billion annually to 600–700 SGOs in participating states. Those contributions could support approximately 2 million full-time scholarships of \$12,000 each, or 5 million part-time scholarships of \$4,500 each, per year. Actual awards will depend on participation, donations, and SGO decisions.

What could be the impact in my State from this credit?

Education Freedom Scholarships are expected to increase access to education options in every participating state.

The impact of SGO scholarships will be different in each state, with the goal of strengthening parental decision-making in education.

For instance, the 4,100 students on a waitlist for Louisiana's tutoring program could receive the services their parents know they need. In Pennsylvania, a 2025 report identified nearly 80,000 unfunded scholarship applications. If Pennsylvania participates, the new credit could help expand scholarship funding for eligible students there; award amounts would be set by SGOs.¹

Will the Education Freedom Tax Credit improve student outcomes?

Yes! Research on existing school choice programs indicates that scholarships can improve academic outcomes.² Among the 16 randomized controlled trial evaluations (RCTs) that have examined the impact of school choice on academic achievement, 10 found positive impacts for some or all participants. To date, researchers have also conducted five RCTs examining the impact of school choice on academic attainment (graduation rates or college matriculation), three of which found statistically significant positive effects for some or all students, and two of which found null effects.

There are also 33 empirical studies examining the competitive effects of school choice on public school student academic achievement. The research finds positive outcomes in 31 of those 33 studies. Moreover, 25 of the 28 studies examining the fiscal effect of education choice determined the policies saved money for taxpayers. No studies have found a negative impact on taxpayers.

The positive benefits are a function of the improved incentive structure that education choice creates, giving parents more control in how their children are educated.

Families may also choose to use the scholarship for tutoring and other academic supports for their student, which evidence suggests has been associated with learning loss recovery after the COVID lockdowns.³

Most importantly, these scholarships will empower parental involvement in their children's education, which is one of the most powerful forces positively affecting student achievement.⁴

Does this credit take money from local public schools?

No. This credit does not divert money from local or state taxes, which make up the large majority of school funding. Instead, the credit encourages voluntary charitable giving from American taxpayers to support education services for qualifying students. By 2030, Treasury and IRS estimate that 11 million charitable American donors could be directing \$26 billion toward scholarships that help students receive the education their family chooses. This is new money supporting education and does not draw from existing federal programs.

¹ [*These Pennsylvania Scholarships Help Kids Escape Failing Schools. But They Are Not Enough*](#) (Commonwealth Foundation)

² [*What the Research Really Says About School Choice*](#) (EdChoice)

³ [*Realizing the Promise of High Dosage Tutoring at Scale: Preliminary Evidence for the Field*](#) (University of Chicago)

⁴ [*Parent Engagement in Schools*](#) (Center for Disease Control)

What are people saying about this credit?

Many Americans are excited about the Education Freedom Tax Credit and want their state to opt in.⁵ Treasury Secretary Scott Bessent described the EFTC as “a new chapter in educational freedom and opportunity by establishing America’s first nationwide school choice incentive and empowering states to give students and families more options.”

What is the status of the tax credit?

On October 1, 2026, Treasury and IRS released proposed regulations for the credit’s 2027 launch intended to make the new credit accessible to families and administrable for taxpayers, states, and SGOs while protecting scholarship funds from fraud and abuse.

Treasury and IRS also released companion temporary regulations addressing preparations for 2027, including procedures for state elections and certification of SGOs, electronic registration, donor acknowledgements, and reporting of qualified contributions.

Taxpayers, SGOs, and states may rely on the proposed regulations for qualified contributions made beginning January 1, 2027, before final regulations are published, if they follow all provisions applicable to them consistently and in full.



⁵ [New Survey: Back to School and Election Season](#) (EdChoice)