



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. The Act establishes a new federal tax credit of up to \$1,700 for contributions made to a Scholarship Granting Organization (SGO). SGOs are nonprofits that accept qualified contributions from individuals and use the funds to provide scholarships for education-related services at private or public schools, including tuition, fees, academic tutoring, and classroom supplies.

Most American students and families will be eligible to benefit from this transformative program, which 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. Using the Education Freedom Tax Credit, taxpayers can receive a credit of up to \$1,700 for contributions made to SGOs that would otherwise have been owed to the government in Federal income taxes. A tax credit reduces the amount of Federal income tax owed dollar-for-dollar (unlike a deduction, which decreases taxable income). The tax credit is available to any individual who is a citizen or resident of one of the States or the District of Columbia and makes qualified contribution(s) to SGO(s) during the taxable year.

SGOs then use these funds to provide scholarships to children to attend a school of choice or to access other education-related services and products.

Although the amount of a donor's tax credit is limited to \$1,700, scholarship amounts are not capped and will be determined by the SGO awarding those scholarships based on the mission of that SGO.

Most students in participating states will be eligible to receive SGO scholarships.

Taxpayers can begin claiming the credit for contributions made in January 2027.

How does the Education Freedom Tax Credit work?

First, a state must opt-in to become a “covered state.” A covered state means one of the States or the District of Columbia voluntarily elects to participate in this tax credit 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, the covered state must provide a list of the SGOs that meet the Federal statutory requirements by January 1st of each calendar year.

Third, a taxpayer must make a charitable contribution to a SGO on a state SGO list.

Fourth, when filing the taxpayer’s annual Federal income tax return, the taxpayer would receive a credit against the tax owed up to \$1,700. If the entire \$1,700 credit cannot be claimed in the year of the contribution, the unused portion of that credit may be carried forward for up to 5 years.

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 with income not greater than 300% of the area’s median gross income qualify for a scholarship through the Education Freedom Tax Credit.

Who can claim the Education Freedom Tax Credit?

Any individual who is a citizen or resident of one of the fifty States or the District of Columbia may claim the credit if the individual makes a charitable contribution of cash to a SGO listed on a State’s SGO list for that taxable year. The SGO uses the contribution to fund scholarships for eligible students solely within the State in which the organization is listed.

What is a Scholarship Granting Organization?

A Scholarship Granting Organization (SGO) is a charity that uses at least 90 percent of its income on scholarships for education choice options for eligible K-12 students. SGOs are prohibited from providing scholarships for any expenses other than qualified elementary or secondary education expenses. SGOs must also be on a state’s SGO list and meet other requirements set forth in the statute.

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 any K-12 public, private, or charter school. Examples include tuition for students to attend private schools of choice, tutoring at public schools, and support services for students with disabilities.

For some families, this could mean using scholarships to pay for private school tuition at a school they choose. Other students will benefit from buying the equipment or uniforms needed for a career training program at a secondary school. Other families may seek a scholarship for tutoring or for after-school enrichment 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. Across the country, more families than ever will now 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?

A recent report estimates that the Education Freedom Tax Credit will generate an additional \$24 billion in education funding annually.^[1] Every \$1 billion in scholarships could fund tuition at a school of choice for 77,000 students or cover tutoring for more than 300,000 students.

Most students in participating states will qualify for this program, so the more donors who participate, the greater the funding for scholarships, and the more students can benefit from the scholarships!

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

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, but the result will always empower parental decision-making in education.

[1] <https://dfer.org/2025/10/06/new-data-projects-potential-24-billion-boost-for-students-through-educational-choice-for-children-act-ecca/>

For instance, the 4,100 students on a waitlist for Louisiana's tutoring program could receive the services their parents know they need. Or the 80,000 Pennsylvania students on a waitlist for education choice could receive \$12,000 scholarships.[2]

Will the Education Freedom Tax Credit improve student outcomes?

Yes! Research indicates that students who receive scholarships to attend a school of choice have improved academic outcomes.[3] 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.[4]

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.[5]

Does this program 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 program encourages voluntary charitable giving from American taxpayers to support education services for qualifying students.

[2] <https://commonwealthfoundation.org/blog/these-pennsylvania-scholarships-help-kids-escape-failing-schools-but-they-are-not-enough/>

[3] <https://www.edchoice.org/what-the-research-really-says-about-school-choice/>

[4] <https://educationlab.uchicago.edu/resources/realizing-the-promise-of-high-dosage-tutoring-at-scale-preliminary-evidence-for-the-field/>

[5] <https://www.cdc.gov/healthy-youth-parent-resources/parent-engagement/index.html#:~:text=Parent%20engagement%20is%20closely%20linked,as%20tobacco%20use%20or%20violence.>

What are people saying about this credit?

Many Americans are excited about the Education Freedom Tax Credit[6] and are supportive of education choice.[7] Recently, Nebraska Governor Jim Pillen praised this as a “pro-parent, pro-student, pro education” program.[8]

What is the status of the tax credit?

In December 2025, the Treasury Department and IRS issued a [request for comments](#) on the implementation of the Education Freedom Tax Credit. The Treasury Department and IRS also issued guidance allowing States to make an Advance Election to participate in the tax credit for calendar year 2027, which is available [here](#). Fifteen states have already declared their intent to participate, as of January 20, 2026.

The Treasury Department and IRS expect to issue implementing rules and provide guidance to taxpayers, charities, and States this year.

The Education Freedom Tax Credit will become available for contributions made on or after January 1, 2027.

[6] <https://www.federationforchildren.org/new-poll-americans-strongly-support-school-choice-will-vote-accordingly/>

[7] <https://www.edchoice.org/inside-the-2025-schooling-in-america-survey/>

[8] <https://www.wsj.com/opinion/nebraska-catches-up-on-school-choice-6698c4a7>