

Opting In to the New Federal Scholarship Tax Credit

Congress recently passed the first federal scholarship tax credit, which will provide millions in educational resources for students across the U.S.

HOW IT WORKS

Individual taxpayers can receive a dollar-for-dollar tax credit on their federal tax return for donations (up to \$1,700 per year) made to K-12 scholarship organizations. Scholarship-granting organizations must use the authorized donations to provide scholarships for tuition, tutoring, special needs, supplies/technology and other education expenses for both public and private school students.

The Governor of each state, or designee provided by law, must opt in to this federal opportunity. States must opt in for the first year by Jan. 1, 2027, and each January thereafter.

WHAT HAPPENS NEXT?

Governors are currently weighing whether to opt their state in to this educational opportunity. If a state does not elect to opt in, scholarship-granting organizations in the state may not grant scholarships to kids under this law. However, individual taxpayers can give incentivized donations to SGOs in states where governors have opted in.

The Treasury Department must form regulations for this federal educational opportunity. In states where governors have already indicated that they will opt in, scholarship organizations are preparing to utilize this opportunity. Similarly, parents are gearing up in expectation of the new options their children will have.

WHY OUR GOVERNOR SHOULD OPT IN

- **Zero cost to Maryland:** “Opting in” to the federal tax credit will not cost our state anything. States are not required to fund or administer anything. States’ only obligation is to decide to opt in and submit the SGO list by Jan. 1 annually.
- **Keeps dollars in state:** Failure to opt in will cause local dollars to leave our state through donations to made by individual taxpayers to scholarship granting organizations in other states. This will cause our state’s kids to lose out on these dollars for their education. Keep these dollars here for our kids!
- **Benefits all children:** This will help both public and private school students. Local nonprofit scholarship-granting organizations and public school foundations will benefit from the opt-in.
- **Keeps families in Maryland:** If our state does not opt in, parents may elect to leave for another state where scholarships provided by this opportunity are plentiful. Remember, there is no federal cap on the amount of money scholarship organizations can raise, so this will be a meaningful gain for opt-in states.

OUR ASK

We ask our governor to make an affirmative promise to opt into this educational opportunity. Our local parents, schools and scholarship organizations want to be ready to utilize this groundbreaking plan for the benefit of our kids!