

FEDERAL SCHOLARSHIP TAX CREDIT

A Major Opportunity *for*
Youth-Serving Organizations

February 2026

FACT SHEET



The Opportunity

Almost 23 million students have parents who want them in afterschool programs but can't afford it. A new federal program could change that.

The Federal Scholarship Tax Credit (signed July 4, 2025) allows taxpayers to redirect up to \$1,700 of their federal tax liability to nonprofits that provide education scholarships—including for afterschool programs, summer learning, tutoring, and transportation.



The Potential Scale is *Substantial*

FSTC is structured for scale and impact. Unlike state tax credit scholarship programs that often cap donations and focus on high-net-worth donors for private school tuition, FSTC offers uncapped dollar-for-dollar federal tax credits to any individual donor and supports students in public and private schools, after-school programs, and summer programs. This dollar-for-dollar credit is far more advantageous than many state programs, making it essentially free for participating taxpayers.

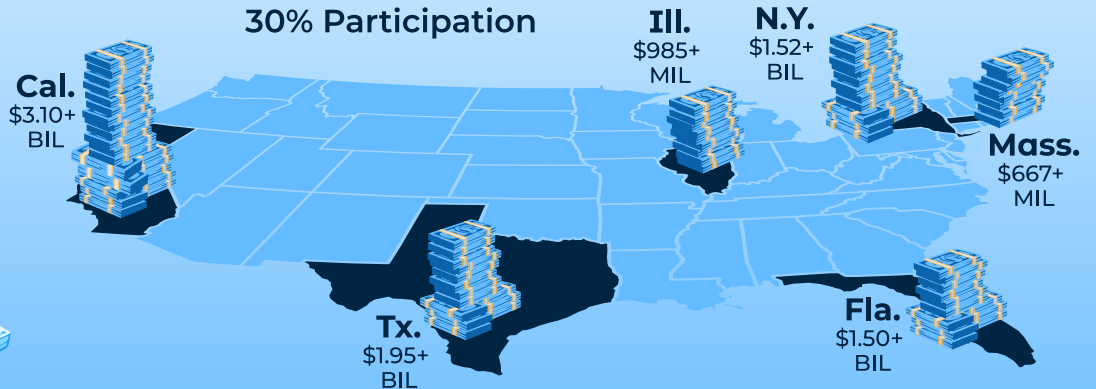
National Projections

(Annual Conservative Estimates)

\$24+ BIL








State Examples at 30% Participation



Unlike state programs that often focus on a few mega-donors, the \$1,700 cap means SGOs must build broad-based participation, making outreach and awareness critical.



Key Program Facts

Credit Amount	State Budget Impact	Program Start	Student Eligibility	Requirement
<p>\$1,700 per taxpayer (dollar-for-dollar tax credit)</p> 	<p>NONE</p> 	<p>January 2027</p> 	<p>Households earning up to 300% of area median income</p> 	<p>STATES must OPT-IN</p> 

It's Not Just About *Private School Tuition*

Tax credit scholarships can fund services that youth-serving organizations already provide:

- Afterschool, before-school, and extended day programs
- Transportation to educational programs
- Tutoring and instructional services
- Technology, computers, and internet access
- Textbooks, curriculum, and school supplies
- Special education services

Students in public schools, charter schools, private schools, and homeschooling can all benefit.



Voters *Strongly Support* This Program

National and State-level polling (September-November 2025) showed overwhelming support for opting in:

N. Carolina **81%**

Pennsylvania **77%**

Connecticut **72%**

Washington **72%**



How Youth-Serving Organizations Can *Participate*

Organizations can establish or partner with Scholarship Granting Organizations (SGOs) to access these funds.

Who can participate:

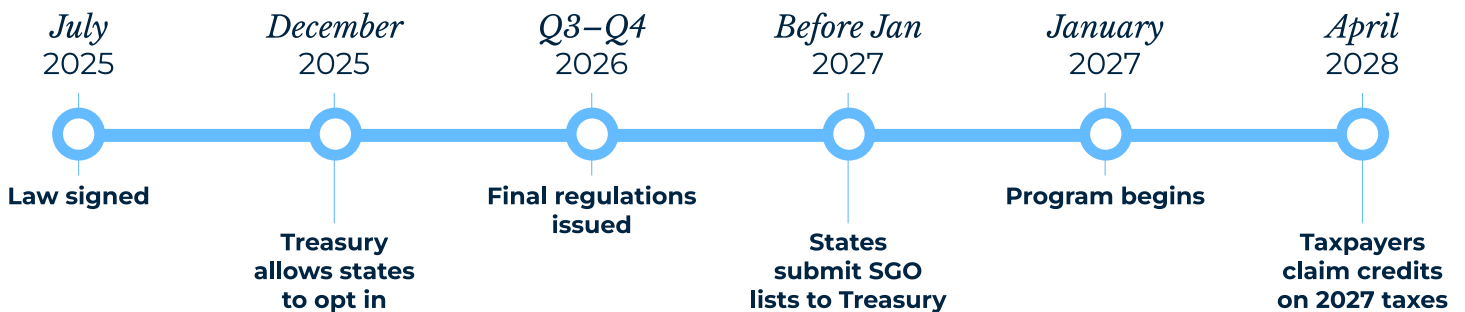
- Out-of-school-time providers (Boys & Girls Clubs, YMCAs, community learning centers)
- Youth development organizations (4-H, arts programs, STEM programs)
- Public schools and charter networks (for tutoring, afterschool, summer programs)
- Tutoring organizations
- Workforce development partners

SGO requirements:

- 501(c)(3) nonprofit (not a private foundation)
- Listed by state on its submission to Treasury
- Spend at least 90% of contributions on scholarships
- Award scholarships to at least 10 students from at least 2 schools



Critical Timeline



Act Now

The risk: Without proactive engagement, this becomes another private school subsidy that bypasses organizations already serving students who need help most.

The opportunity: With smart planning, this program can generate billions in new resources for tutoring, afterschool programs, and summer learning.

Your Next Steps

- 1. Assess capacity:** Can your organization administer an SGO, or should you partner with one?
- 2. Engage in advocacy:** Contact your Governor's office to support state opt-in
- 3. Plan for 2027:** Develop your timeline for SGO establishment or partnership

Questions? Contact **Education Reform Now** for technical assistance and advocacy coordination.

For state-by-state fiscal projections, visit edreformnow.org/FSTC-projections