

Education Freedom Tax Credit (EFTC)

Sometimes referred to as the Federal Scholarship Tax Credit (FSTC)

A Guide for Contributors

Prepared by Renew Scholarships

Renew
Scholarships

Helping Children Access a Biblical Worldview Education

How to Use This Guide

This resource is provided for educational purposes and may be shared freely with families, schools, or donors. It does not require action and does not indicate program availability. A full guide on how to use these materials is available at renewscholarships.org.

Purpose of This Guide

This guide is written for individuals and families who want to understand how the **Education Freedom Tax Credit (EFTC)** works and how private charitable giving can support K–12 education scholarships.

Its purpose is educational. It explains the structure of the credit, the safeguards that govern it, and the role of Scholarship Granting Organizations (SGOs). The guide should not be viewed as tax advice, but rather as awareness of a potential tax strategy available for 2027.

Why Private Giving Matters

Families seek educational environments that align with their convictions and support the formation of their children. For many households, tuition costs make those choices difficult.

The EFTC encourages private individuals to help meet that need through charitable giving. Rather than expanding government spending, the program relies on voluntary contributions administered locally and independently.

This structure preserves family choice, school independence, and donor integrity.

What the Federal Scholarship Tax Credit Is

The EFTC is an enacted federal law that provides a non-refundable federal income tax credit to individual taxpayers who make qualified cash contributions to approved nonprofit SGOs. An eligible donor is an individual taxpayer who makes a qualified contribution. The amount of credit that may be used in a given year depends on the donor's federal tax liability, with unused amounts eligible for carryforward

Beginning with tax years ending after December 31, 2026:

- Eligible donors may receive a dollar-for-dollar federal income tax credit equal to 100 percent of their qualified contribution.
- The credit is capped at \$1,700 per taxpayer per year.
- Unused credits may be carried forward for up to five years.
- Contributions receiving the federal credit may not also be claimed as a charitable deduction.
- Federal regulations and state participation decisions will finalize administrative details.
- The contribution must be made to an SGO that has been certified and listed by a **covered State** that has elected to participate in the program, regardless of the donor's state of **residence**.

The \$1,700 annual limit applies per taxpayer. Treatment of married taxpayers filing jointly will be clarified by Treasury guidance.

How Scholarships Are Funded and Awarded

Donor contributions are pooled and administered by independent nonprofit organizations.

Scholarship Granting Organizations:

- Verify family income eligibility
- Award scholarships based on objective criteria and available funding
- Distribute funds for qualified educational expenses

- Maintain required accounts and records
- Scholarships are awarded to families and applied at their direction. Donors may not select individual recipients.

Important Guardrails for Donors

The integrity of the program depends on clear boundaries.

Donors:

- May not designate contributions to specific students
- May not influence scholarship award decisions
- Do not receive donor recognition tied to individual awards

These guardrails protect families, schools, and donors while preserving public trust.

In some cases, organizational policy may allow donors to express interest in supporting scholarships within a participating state or group of schools, where permitted by law. Individual student designation is not allowed.

Interaction with Other Tax Benefits

Several important rules apply:

- Contributions receiving the federal scholarship tax credit are not eligible for a charitable deduction.
- If a contribution also qualifies for a state tax credit, the federal credit must be reduced by the amount of the state credit allowed.
- The federal credit is non-refundable and may be used to offset tax liability over a five-year carryforward.

Because individual tax situations vary, donors should consult a qualified tax professional.

The Role of Renew Scholarships

Renew Scholarships serves as a Scholarship Granting Organization with a commitment to conservative compliance and transparency.

Renew Scholarships:

- Maintains required separate accounts
- Verifies eligibility and documentation
- Prevents donor influence over awards
- Provides accurate reporting
- Operates above minimum legal standards

Donor funds are treated as entrusted capital, administered for the benefit of families in a manner consistent with law and public accountability.

Timing and Next Steps

The EFTC applies beginning with tax years ending after **December 31, 2026**. Federal guidance and state participation decisions will determine when contributions may be accepted and how reporting will occur.

At this stage, the most important step for interested donors is to stay informed.

For updates and additional information, visit:

www.renewscholarships.org

About Renew Scholarships

Renew Scholarships is a nonprofit organization committed to expanding access to education aligned with deeply held convictions. We operate with disciplined compliance, careful stewardship, and long-term responsibility to families, schools, and donors.

This material is provided for informational purposes only and does not constitute tax, legal, or accounting advice. Program details may evolve as federal and state guidance is finalized.