

CHAMPIONS OF OPPORTUNITY:

Education Foundations, SGOs
& the New Federal Scholarship
Tax Credit



Expanding Choices. Empowering Students.
Strengthening Communities.

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Note: The purpose of this presentation is to provide an overview of the New Federal Scholarship Tax Credit and is not intended to serve as legal, tax or financial advice. Please seek professional advice before implementing a program of your own.

HOW THE NEW FEDERAL SCHOLARSHIP TAX CREDIT WORKS

From Legislation to Student Impact

1

THE BIG BEAUTIFUL BILL



The One Big Beautiful Bill Act (OBBBA) creates a new Federal Scholarship Tax Credit under Section 170(b)(1)(A)(vi).

Provides a federal income tax credit to individuals and businesses who donate to eligible Scholarship Granting Organizations (SGOs).

2

FEDERAL SCHOLARSHIP TAX CREDIT



Donors receive a dollar-for-dollar federal tax credit (up to annual limits set by the IRS).

Credit reduces federal tax liability and encourages private investments in K-12 education through SGOs.

3

STATE APPROVAL OF PARTICIPATION



Each state chooses whether to participate in the federal scholarship tax credit program.

The state must pass enabling legislation and notify the U.S. Department of the Treasury of its participation and eligible SGOs.

4

SCHOLARSHIP GRANTING ORGANIZATIONS (SGOs)



Approved SGOs are 501(c)(3) organizations that receive donations and award scholarships.

SGOs must follow state law, federal requirements, and ensure scholarships are awarded fairly and transparently.

5

WHAT SGOs WILL/CAN FUND



SGOs award scholarships that families use for qualified K-12 educational expenses, such as:

- Private school tuition
- Textbooks & curriculum
- Tutoring
- Educational therapies
- Online learning programs
- Fees for exam testing
- Other approved educational services



THE RESULT: MORE CHOICES. GREATER OPPORTUNITY.

Education foundations can play a vital role in this opportunity!

- ✓ Partner with or support SGOs to help raise awareness and encourage giving.
- ✓ Help families navigate scholarship options and connect with resources.
- ✓ Invest in student success and expand access to quality education in our community.

Together, we can open doors, remove barriers, and empower every student to reach their full potential.



Note: Program details, credit amounts, and eligible expenses are subject to IRS guidance and state laws.

2. WHY THIS IS SO HUGE!



CHARITABLE DEDUCTION

- Lowers your taxable income
- Value depends on your tax bracket
- Benefits vary

VS.

TAX CREDIT



- Reduces your tax dollar-for-dollar
- More valuable to more people



UP TO \$1,700 TAX CREDIT PER INDIVIDUAL
with a possible \$3,400 for couple filing jointly
(subject to IRS guidance)



NO CAP ON TOTAL AMOUNT THAT COULD BE GIVEN ACROSS THE USA – COULD BE UP TO \$23 TRILLION!

3. TEXAS HAS OPTED IN



Texas HAS opted into the Federal Scholarship Tax Credit program.

The state does not appear to be taking applications from SGOs yet.





- ✓ We need to rethink what scholarship means.
- ✓ Benefits K–12 students who are eligible to attend public or private schools.
- ✓ Must serve at least 10 students at two or more campuses (doesn't have to be two districts).
- ✓ Operates as a 501(c)(3) organization approved by the State of Texas.

SGOs expand educational opportunity for students and support families in your community.

5

What is an SGO?

Scholarship Granting Organization

5. WHO CAN SGOs SERVE & WHAT CAN THEY FUND?



- ✓ SGOs determine who/what they will fund as long as they fit within Dept. of Treasury guidelines (final guidance coming soon).
- ✓ One requirement: student comes from a family below 300% of the Area Gross Median Income (AGMI).
- ✓ Example: Bexar County income limit is about \$310,000.



Guidance from the Dept. of Treasury was due in July 2026 and is now expected in September 2026.

7. FINANCIAL REQUIREMENTS FOR SGOs



- ✓ Must be a 501(c)(3) public charity
- ✓ Must have a separate bank account
- ✓ Must be approved by the State of Texas (application process not open yet)
- ✓ Must spend at least 90% of ALL funding on the scholarship program
- ✓ Must submit required reports to the state & federal government

8. DUTIES OF SGOs



Determine if student is eligible for funding



Pay the district or vendor providing services



Submit annual report to the State of Texas



Keep records and submit report on scholarship recipients and results



Dept. of Treasury has indicated they will establish a portal for donors to make qualifying IRS gifts to SGOs, but this hasn't been confirmed yet.

9. HOW DOES THE SCHOOL DISTRICT VIEW THIS OPPORTUNITY?



For the general benefit
of families and to
raise academic
achievement within
the district

OR



Looking to supplant
funding that the district
pays for activities or
initiatives



The approach the district takes will shape how this opportunity impacts students and your community.

10. CAN THE EDUCATION FOUNDATION BE AN SGO?



Perhaps, but not the way they are set up now.
Two options to provide SGO services to your district:

- 1 Create a separate 501(c)(3) that serves as a supporting organization to your education foundation.
- 2 Join NAEF (National Association of Education Foundations) National SGO Network for a fee and operate under their guidance.

From the NAEF

Presentation,

“A Practical Overview
and Understanding of
the Education Freedom
Tax Credit Program.”

Friday, July 31, 2026

11. SERVICES OFFERED THROUGH NAEF NATIONAL SGO NETWORK



- ✓ Become a chartered local SGO under NAEF's national 501(c)(3) public charity.
- ✓ Operate without waiting for a separate IRS determination letter.
- ✓ Maintain local control over governance, leadership, donor engagement, scholarship priorities, and decisionmaking.
- ✓ Meet the federal 90/10 requirements through a separate charitable SGO structure.
- ✓ Access shared services including compliance support, toolkits, marketing resources, training, and (anticipated) scholarship management software.
- ✓ Retain all local administrative funds to support the operation of the local SGO.
- ✓ Participate in a national network with an estimated annual charter fee of approximately \$3,000.

12. WHAT IF OUR EF DOESN'T WANT TO PARTICIPATE IN THE SGO PROGRAM?



EFs need to be involved in conversations with the district about SGOs, their level of interest in serving as an SGO, and the impact that an outside SGO might have on the EF.



AASA has offered training to their superintendents in how to set up a payroll deduction program, but they don't know how to steward donors the way that EFs do.



Donors need to understand the difference between a tax credit and a charitable deduction, or the EF risks losing the EF donation because the donor believes they have already given through the tax credit.

12. WHAT IF OUR EF DOESN'T WANT TO PARTICIPATE IN THE SGO PROGRAM?



Staff members who choose to contribute to the SGO from their monthly paycheck may decide they can't afford to also support the EF through payroll deduction. Make sure your district understands the potential for EF donation decline.



We also don't want outside SGOs to not only recruit tax credit dollars, but also charitable donations.

13. STAY TUNED... MORE INFORMATION TO COME!



Guidance is
coming.



Opportunities
are emerging.



Champions
will lead the way!



Together, we can
make a difference.



*We Are
the Champions*
of Opportunity

Let's expand choices, empower
students, and strengthen
our communities!

Questions? Email suzi@foundationinnovation.com