

DONOR FAQ

Federal Scholarship Tax Credit Questions for Donors

A practical donor guide to the Federal Scholarship Tax Credit opportunity through EdGen. Built for clarity, compliance awareness, and donor confidence.



The core opportunity

Beginning January 1, 2027, individual taxpayers may be able to claim a federal tax credit for certain cash contributions up to \$1,700 to a listed Scholarship Granting Organization in a participating state.

0%

0% Admin Fee. 100% Scholarship Impact.

EdGen does not charge an administrative fee on qualified contributions. Administrative costs and overhead are covered externally, so 100% of donor contributions can go directly to scholarship awards.

Quick answers

1 Is this a deduction or a credit?

It is a federal tax credit, meaning it can reduce federal income tax owed dollar-for-dollar, subject to limits and final IRS/Treasury guidance.

2 How much is the federal credit?

Section 25F provides a credit limit of \$1,700 per taxpayer per taxable year.

3 What kind of gift qualifies?

A qualified contribution is a charitable contribution of cash to a listed Scholarship Granting Organization that uses it for eligible scholarships in the listed state.

4 Can I designate a specific child?

No. SGOs may not earmark or set aside contributions for scholarships on behalf of a particular student.

5 Can I also take a charitable deduction?

Section 25F denies a double benefit: a qualified contribution for which the credit is allowed is not also counted as a charitable contribution under Section 170.

6 What if I cannot use the full credit?

Section 25F includes a carryforward for unused credit, limited to the fifth taxable year after the credit arose.



This FAQ is informational only. Donors should consult their own tax advisors before making a contribution or claiming any credit. Final federal and state guidance may change timing, documentation, and operational rules.



Donor FAQ: Basic Rules

1 What is FSTC?

The Federal Scholarship Tax Credit is a nonrefundable personal federal income tax credit for certain qualified contributions to Scholarship Granting Organizations that fund scholarships for eligible K-12 students.

2 When does it begin?

IRS states that beginning January 1, 2027, individual taxpayers may be able to claim the FSTC for certain cash contributions up to \$1,700 to SGOs, subject to state participation and SGO listing.

3 Who can claim the credit?

Section 25F allows the credit to an individual who is a citizen or resident of the United States, within the meaning of Section 7701(a)(9). Donors should confirm their own situation with a tax advisor.

4 What is the maximum federal credit?

Section 25F states that the credit allowed to any taxpayer for a taxable year shall not exceed \$1,700.

5 Can married taxpayers filing jointly give \$3,400?

EdGen may show \$3,400 as a planning placeholder only if final IRS/Treasury rules support that treatment. Donors should not rely on it unless confirmed by final guidance or their tax advisor.

6 Is the credit refundable?

The credit is in the nonrefundable personal credit section and is limited by the taxpayer's federal tax liability rules. Unused amounts may be carried forward under Section 25F, subject to the five-year limitation.

7 Can I make a non-cash gift?

Section 25F defines a qualified contribution as a charitable contribution of cash. Donors should not assume appreciated stock or other non-cash property qualifies unless final guidance says so.

8 Is there a state opt-in requirement?

Yes. IRS says a state or D.C. must choose to participate and provide a list of SGOs in that state to the IRS before a donor can donate to an SGO within that state and claim the FSTC.



Donor FAQ: Tax Mechanics

9 How does a tax credit differ from a deduction?

A deduction reduces taxable income. A credit reduces tax owed. FSTC is structured as a credit, not merely a deduction, which is why donor education around credit utilization is so important.

10 Do I need enough federal tax liability?

Yes. Nonrefundable credits generally reduce tax liability but do not create a refund beyond tax owed. Donors should confirm expected tax liability before assuming they can use the full amount.

11 What happens if I cannot use the whole credit this year?

Section 25F provides for unused credit to be carried to the succeeding taxable year, with no carryforward beyond the fifth taxable year after the credit arose.

12 Can I receive both a federal and state credit?

Section 25F reduces the federal credit by the amount allowed as a credit on any state tax return for qualified contributions made during the taxable year.

13 Can I claim a charitable deduction too?

No double benefit. Section 25F says a qualified contribution for which a credit is allowed is not taken into account as a charitable contribution for Section 170 purposes.

14 When will I get documentation?

EdGen expects to provide donor documentation according to final IRS/Treasury recordkeeping and reporting guidance. Official receipts and reporting procedures may change once final guidance is issued.

15 Will EdGen provide tax advice?

No. EdGen can explain program mechanics and provide contribution documentation, but donors should consult their own tax advisors about liability, credits, deductions, carryforward, and filing position.

16 Should I adjust withholding or estimated payments?

Possibly, but only with professional tax advice. The timing and cash-flow benefit may depend on withholding, estimated payments, filing date, and credit utilization.

Donor readiness question

Before donating, ask your tax advisor: "Based on my expected federal tax liability and other credits, can I use the full FSTC amount for the year I plan to give?"



Donor FAQ: Giving Through EdGen

1 Give

Make a qualified cash contribution through EdGen once the program and state listing are active.

2 Document

Receive EdGen donor documentation, subject to final IRS/Treasury recordkeeping rules.

3 Claim

Work with your tax advisor to claim the federal credit on your return.

4 Impact

Your contribution supports scholarship awards for eligible Jewish K-12 students.

17 Can I recommend a school?

EdGen may permit donor school recommendations or designations if allowed by final guidance and EdGen policy. Any recommendation must comply with the statutory rule against earmarking funds for a particular student.

18 Can EdGen charge an admin fee?

EdGen does not charge an administrative fee on qualified contributions. Administrative costs and overhead are covered externally, so donor contributions can be directed to scholarship awards.

19 Can my contribution support my own child?

No. Donors should not expect to receive a private benefit or support a particular student. SGOs cannot earmark contributions for scholarships on behalf of any particular student.

20 Can businesses participate?

Section 25F is framed for individual taxpayers. Business-related giving, employee reimbursement, matching, or incentive arrangements should be reviewed carefully by legal and tax advisors before implementation.

21 When do I get the benefit?

A donor generally claims the credit when filing the tax return for the year of the contribution. Actual cash-flow timing depends on withholding, estimated tax payments, filing date, and tax liability.

22 What if state participation changes?

EdGen will track participating states and SGO listing status. Donors should not assume a contribution qualifies until the relevant state participates and EdGen is listed for that state, if applicable.

Ready to prepare?

Join the EdGen donor update list, review your expected tax liability with your advisor, and watch for official contribution instructions once final guidance and state listing processes are complete.

Sources: IRS FSTC page (Jan. 1, 2027 start, certain cash contributions up to \$1,700, state election and SGO listing requirements); 26 U.S.C. Sec. 25F (credit allowance, \$1,700 limit, cash contribution definition, state credit reduction, no student earmarking, no double charitable deduction benefit, carryforward, SGO requirements, and delayed effective date).