

COMMUNITY EXPLAINER

FSTC Is Not a Voucher

The Federal Scholarship Tax Credit creates a federal tax credit for private contributions to nonprofit Scholarship Granting Organizations. It is designed to fund scholarships for eligible students without direct government payments to families or schools.



3 simple distinctions

Private giving

Donors voluntarily contribute private cash to an SGO.

Nonprofit administration

SGOs award scholarships under federal/state rules.

No student earmarking

Contributions may not be set aside for a particular student.

1 What it is

A federal tax credit that may be claimed by individual taxpayers for qualified cash contributions to SGOs, subject to federal law, state participation, SGO listing, tax liability, and final guidance.

2 What it is not

It is not a traditional voucher in which government pays a benefit directly to a family or school. Families apply through SGOs, not through the IRS or federal agencies.

3 Why it matters

This distinction helps donors, parents, schools, and community leaders explain the program accurately and avoid political or operational confusion.

Careful language: It is accurate to describe FSTC as a tax-credit scholarship program or scholarship tax credit program. Avoid describing it simply as a voucher, because that misses the donor-funded SGO structure.



CLEAR DEFINITIONS

FSTC vs. Vouchers vs. ESAs

Different school-choice tools can support families, but they are structured differently. This comparison is intentionally simplified for public education and donor-facing communications.

Feature	FSTC	Traditional Voucher	ESA
Funding path	Private cash contributions to SGOs, with donors potentially receiving a federal tax credit.	Government program typically pays a scholarship or voucher benefit.	Government-funded account or allocation for approved educational uses.
Who administers	Independent nonprofit SGOs, subject to federal/state listing and compliance rules.	State agency, district, or approved administrator, depending on state law.	State agency or contracted administrator, depending on state law.
Parent application	Families apply through SGOs, not through the IRS or federal agencies.	Families generally apply through a state-created program.	Families generally apply through a state-created ESA platform.
Donor role	Individual taxpayers voluntarily donate private funds to SGOs.	No donor contribution is typically involved.	No donor contribution is typically involved.
Student earmarking	SGOs may not earmark or set aside contributions for a particular student.	Not typically donation-driven.	Not typically donation-driven.
Best shorthand	Federal tax credit scholarship program.	Voucher program.	Education savings account program.

Messaging rule of thumb

When speaking to parents, say: "Families apply to an SGO for scholarship support." When speaking to donors, say: "Donors contribute to an SGO and may claim a federal tax credit." When speaking publicly, say: "FSTC is donor-funded through nonprofit SGOs, not direct government funding to students."

FAQ LANGUAGE

How to Answer the Common Questions

Use these answers for community education, parent meetings, school board discussions, and donor conversations. Keep the tone clear, calm, and accurate.

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Is FSTC a voucher?

No. FSTC is structured as a federal tax credit for private cash contributions to nonprofit SGOs. SGOs use those contributions to award scholarships to eligible students.

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Does the IRS award scholarships?

No. Families do not apply through the IRS. Families apply through an SGO, and SGOs administer scholarships under applicable rules.

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Does the government send money directly to parents?

Under the FSTC structure, the scholarship is funded through private contributions to SGOs. Operational disbursement details may depend on final guidance and SGO policy.

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Can a donor sponsor one specific child?

No. Section 25F says an SGO does not meet the requirements if it earmarks or sets aside contributions for scholarships on behalf of a particular student.

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Why does state opt-in matter?

A state must elect to participate and identify SGOs. IRS says taxpayers need an SGO in a participating state before claiming the credit.

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What should schools say now?

Schools should explain the opportunity, invite families to prepare, and avoid promising eligibility or awards until final rules, funding, and application review are complete.



Avoid these phrases

- "Federal voucher"
- "Government scholarship"
- "Guaranteed free tuition"
- "Sponsor this specific child"



PUBLIC-FACING LANGUAGE

Recommended EdGen Talking Points

These talking points are designed for a professional, accurate explanation of FSTC to schools, families, donors, community leaders, and media.

Use this language

- Donor-funded**
FSTC scholarships are funded by private contributions made to nonprofit SGOs.
- Family access**
Families apply to SGOs for scholarship support, not to the IRS or another federal application portal.
- Compliance first**
SGOs must follow federal requirements, state participation rules, and final IRS/Treasury guidance.
- Tax-credit structure**
Eligible donors may receive a federal income tax credit, subject to limits and final rules.
- Student-centered**
Scholarships are intended to help eligible students access qualified K-12 education expenses.
- No student earmarking**
EdGen will not allow contributions to be earmarked for a particular student.

One-minute explanation

The Federal Scholarship Tax Credit is not a traditional voucher. It is a federal tax credit designed to encourage private donors to contribute to nonprofit Scholarship Granting Organizations. SGOs use those contributions to provide scholarships for eligible K-12 students. Families apply through SGOs, and SGOs must follow federal requirements, state participation rules, and final IRS/Treasury guidance. EdGen exists to make that process clear, compliant, and maximally beneficial for Jewish students and families.

Source notes: Section 25F defines qualified contributions as charitable contributions of cash to SGOs; describes covered states, eligible students, SGO requirements, no student earmarking, and no double benefit; and directs Treasury/IRS to issue guidance. IRS states that FSTC begins January 1, 2027 and requires state participation and SGO listing.