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Ensuring Public Schools Benefit from the Federal Tax Credit Scholarship Program

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The federal scholarship tax credit program differs from traditional private school voucher models in an important respect: public school students can also receive scholarships. This creates a new source of funding to support students who remain enrolled in public schools, as students can use scholarships for services like tutoring, assistive technology, and afterschool programming, rather than just tuition. This distinction is one reason many blue states are considering opting into the program.

Scholarship-granting organizations, or SGOs, will serve as the intermediaries responsible for receiving donations, soliciting student applications, and awarding scholarships. To participate, SGOs must meet several federal eligibility requirements and be included on a state's list of eligible non-profit organizations. Final regulations are pending from the Treasury Department and IRS, and the program will take effect in 2027.

At the outset, SGOs focused on private school tuition are likely to have a significant advantage in capturing tax-credit donations. Many are already well-established, particularly in states that operate their own tax credit scholarship programs, and they have existing donor networks and compliance systems in place.

But this infrastructure gap is not insurmountable. States and stakeholders invested in ensuring that public school students can meaningfully benefit from the federal tax credit scholarship can create a more balanced ecosystem of eligible SGOs by acting early and creatively to position public-school serving organizations to attract donors and serve students from the program's launch. This memo lays out strategies for lowering barriers to entry for new SGOs, leveraging shared resources, and accelerating the visibility of scholarship donation opportunities so public schools do not cede the first-mover advantage to private school networks.

Offer Planning Grants and Fast-Track Incorporation

There are multiple steps involved in establishing a new non-profit organization, from filing articles of incorporation to creating bylaws to forming a board of directors. For new SGOs looking to receive tax-credit-eligible donations, the checklist is even longer—attaining 501(c)(3) status from the IRS, establishing proper accounting systems, developing scholarship application processes, navigating state and federal reporting systems, and more. **States, private foundations, or other intermediary organizations** can enable public school-serving SGOs to become operational more quickly by offering planning grants to support non-profit formation, staffing and board recruitment, and donor outreach. These capacity-building funds could be time-limited and accompanied by technical assistance opportunities, such as low- or no-cost legal advising, compliance support, or pre-vetted

templates for scholarship review and management systems. **States** can further reduce the administrative barriers for new SGOs by creating expedited pathways to non-profit incorporation and coordinating the state approval process for charitable recognition with federal tax-exemption requirements where feasible.

Use Fiscal Sponsorship to Accelerate SGO Entry

Under a fiscal sponsorship arrangement, an established 501(c)(3) non-profit organization can convey its legal and tax-exempt status to a newly formed entity by serving as its “sponsor.”¹ This allows the new entity to satisfy IRS requirements and begin fundraising for a cause more quickly. There are several ways to structure a fiscal sponsorship contract—an SGO could coordinate with a fiscal sponsor as a bridge strategy while securing their own tax-exempt status from the IRS, or they could enter into a long-term agreement with an existing non-profit with a similar mission. Existing **public school district foundations and community-based organizations** may be well-suited to offer a fiscal sponsorship “home” for SGOs providing scholarship funds for public school students, allowing them to connect with a local donor base and begin meeting student needs in their communities sooner.

Build Shared Services Infrastructure

Established private school tuition SGOs will have a clear early advantage when it comes to the administrative responsibilities of operating a non-profit organization: accounting and auditing, scholarship application and administration systems, legal and tax compliance structures, donor recruitment, and so on. To reduce the start-up burden on emerging SGOs, **states or philanthropic organizations** can help establish shared services models to centralize key functions across multiple SGOs that serve public school students. In addition to local- and community-based models, aspiring SGO founders should consider opportunities to build entities that serve public schools statewide, leveraging unified systems that comply with state requirements. A statewide SGO could serve as a coordinating entity to support regional affiliates or provide shared services to multiple mission-aligned SGOs under one umbrella—which would also help with broader brand recognition.

Establish Voluntary Standards and Leverage the Governor’s Platform

While final regulations are still taking shape, it appears that governors will likely have limited authority to shape their state’s list of eligible SGOs beyond what is required by law.

While restrictive, this does not prohibit the **governor, state agencies, or independent public interest organizations** from establishing voluntary standards to identify and recognize SGOs that serve public school students well—for example, by creating a “public education impact” certification that SGOs can apply for. Such standards could highlight SGOs that focus their efforts on innovative public-school supports, target scholarships to low-income or rural students, publicly report data on scholarship recipients and uses, prioritize non-discrimination policies, or any number of features. Governors have significant convening power and influence over the state’s education agenda. They can use their platform to drive visibility of aligned SGOs, explain how residents’ donations can benefit public school students, and encourage philanthropic support for scholarship funds that address public education priorities. By signal boosting public school-serving SGOs, **governors and state leaders** can help shape donor engagement without imposing formal policy preferences or excluding other eligible organizations from participation.

Coordinate Public Awareness Campaigns

The ultimate scale of the tax credit scholarship program will depend on donor participation. More donors mean more dollars for scholarships, and more dollars to public school-serving SGOs mean more resources for public school students. Private school networks and SGOs already have captive donor bases to rally around this fundraising opportunity, while public school families and supporters may be less familiar with the new program. Donor education initiatives will be a key step in boosting the program’s visibility and making residents aware of how they can direct their charitable giving to eligible scholarship programs and receive a tax benefit. Statewide informational campaigns should leverage trusted local voices to explain the program, the types of educational services that can be supported through scholarships for students attending public schools, and promote giving opportunities. **Governors, state leaders, and other stakeholders** can spearhead these campaigns, and could even encourage private partners to provide matching funds or early-stage support to help public school-serving SGOs build awareness, attract donors, and establish themselves in this new landscape.

Conclusion

Public school students can and should benefit from the new federal tax credit scholarship program—in blue and red states alike. Making sure this happens will take concerted effort, creativity, and coordination across public school supporters at all levels. At the start, established scholarship networks serving private schools will have some significant advantages, and governors are unlikely to have much authority to shape their state’s list of

participating SGOs. Policymakers and stakeholders should move early to build the infrastructure, visibility, and donor support that public school-serving SGOs will need to participate meaningfully in the program from the outset and expand their impact over time.

ENDNOTES



1. National Council of Nonprofits. “Fiscal Sponsorship for Nonprofits,” <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/fiscal-sponsorship-nonprofits>. Accessed 5 May 2026.