

WILL PENNSYLVANIA OPT IN?

- Pennsylvania has not yet opted in. A “yes” from Gov. Josh Shapiro on this transformative program will improve access to educational opportunity for the nearly **two million** K–12 students across all zip codes in Pennsylvania.
- The deadline to “voluntarily elect to participate” in the program and become a “covered state” in 2027 is January 1, 2027.
 - In December 2025, the U.S. Department of the Treasury and IRS **issued a guideline** for states to, starting January 1, 2026, submit their “**Advance Election to Participate**.”
 - As of February 20, 2026, reviews of several news sources—including *Education Week*—show 27 states have elected to participate, four have refused, two have pending opt-in legislation, while Shapiro, alongside 13 other state governors, wait to learn more before opting in.
 - The U.S. House **Committee on Rules** will publish additional opt-in guidelines by the fall of 2026.
- An **analysis from Education Reform Now** suggests that if even 15 percent of Pennsylvania taxpayers with a federal tax liability of greater than \$1,700 participate, that would yield \$484 million in donations. Governors who fail to opt in will lose out on millions of dollars in tax revenue for families.

HOW DOES THE FEDERAL SCHOLARSHIP TAX CREDIT WORK?

- Schools and SGOs will fundraise scholarship funds from donors with an IRS tax liability.
- Donors in all 50 states will be able to donate a maximum of \$1,700 annually to the SGO of their choosing and, in return, receive a non-refundable 100 percent dollar-for-dollar tax credit when filing annual taxes with the IRS.
 - The precarious and likely costly dynamic for states that do not opt in: Residents can still claim the tax credit on scholarship dollars they donate via SGOs outside their state.
- Eligible students will apply to their school or through an SGO and receive a scholarship for qualified education expenses.

WHO IS ELIGIBLE IF PENNSYLVANIA PARTICIPATES?

Eligible Students

- Electing to participate in the FSTC from the program’s onset will provide millions of dollars in scholarships to Pennsylvania kids starting in 2027.
- Eligible K–12 students from households with incomes up to **300 percent** of the median gross income level by county, as determined by the U.S. Department of Housing and Urban Development (HUD).
 - There are 40 different income levels across Pennsylvania’s 67 counties, with the maximum being \$358,000 for families residing in and around Philadelphia.
 - More than **90 percent** of Pennsylvania’s K–12 students qualify based on income.

- FSTC scholarships will be available to kids attending all types of schools: private, charter/cyber charter, career technical, public, home schools, and microschoools.
 - Public school students will apply for scholarship funds through their school district's [Educational Improvement Organization](#) (EIO).
 - Non-public school students will apply via one of Pennsylvania's established [scholarship organizations](#).
- Fund use will be for tuition, fees, books, school supplies, tutoring, computer equipment, and special education expenses.
- Moreover, eligible recipients will be able to stack the federal tax credit scholarship with other forms of financial aid, such as [Pennsylvania's](#) Educational Improvement Tax Credit (EITC), Opportunity Scholarship Tax Credit (OSTC), the [Economically Disadvantaged Schools](#) (EDS) component of EITC, and private scholarship awards.
 - Notably, demand for Pennsylvania's tax credit scholarship programs outpaces supply. Caps in the 2023–24 school year denied 69,000 applications—electing to join the FSTC could help [bridge this gap](#).

Eligible Donors

- Individual donors with an IRS tax liability will be able to donate up to \$1,700 through one of Pennsylvania's established [scholarship organizations](#) and receive a 100 percent, non-refundable IRS tax credit annually.
- Any participating SGO in the United States may receive donations and award scholarships. Donors living outside of Pennsylvania may donate to SGOs in the Keystone State.
- Existing individual donors to EITC, OSTC, and EDS may also donate and receive a tax credit through the federal program.
 - Donations to *Pennsylvania's* tax credit scholarship programs are deductions from donors' state tax liability, while donations to the *federal* scholarship program will qualify as a credit against donors' federal tax liability.
- The FSTC legislation, as passed, currently prohibits corporate donations.

Eligible Scholarship Organizations

- The federal tax credit scholarship will utilize SGOs to allocate K–12 scholarships to students attending private, charter/cyber charter, career technical, public, home schools, and microschoools.
- Each SGO will determine the scholarship amount to award qualifying students.
- Public school districts will accept donations and award scholarships through more than 120 public school district [Educational Improvement Organizations](#) (EIOs).
- Non-public schools will accept donations and award scholarships through one of Pennsylvania's more than 200 established [scholarship organizations](#).

- EIOs and SGOs must:
 - Be a nonprofit entity exempt from tax per sections 501(c)(3) and 501(a) of the Internal Revenue Code (IRC), and it “is not a private foundation.”
 - Award scholarships to at least ten students and fund scholarships for more than one school.
 - Conduct an annual financial and compliance review by an independent certified public accountant.
 - Prohibit the designation of donations for a particular student.
 - Use 90 percent of donations for scholarships and 10 percent or less for administrative expenses.

FREQUENTLY ASKED QUESTIONS

Q1. Does the FSTC program take money away from public schools?

A1. No, the federal scholarship does not negatively impact public school funding.

- FSTC participation is separate from and does not impact state public education funding.
- In fact, Pennsylvania public schools can participate in the program, which has uncapped revenue potential. The FSTC relies on private donors, allowing them, as taxpayers, to direct donations to schools of their choosing, whether public, private, charter/cyber charter, career technical, homeschool, or microschool.
- The FSTC is a federally administered program that does not utilize state dollars and is free for states to participate.

Q2. Will participating private schools be subject to additional government regulations?

A2. No, participating schools will continue to operate as normal because program funding derives from private donors.

- The religious liberty of schools with students receiving FSTCs will remain intact. Because the program [incorporates into existing tax law](#), religious protections within the U.S. tax code protect the religious liberty of participating organizations.

Q3. Who administers the program? The state or the federal government?

A3. The IRS and U.S. Treasury will oversee the program.

- Because the U.S. Treasury and IRS will administer the program, neither the Pennsylvania Department of Education nor the U.S. Department of Education will have oversight.

Q4. When can donors begin participating, and when will they receive the tax credit?

A4: Beginning in 2027, donors can make their first annual donation.

- Donors will receive their dollar-for-dollar tax credit in 2028 when filing their 2027 IRS returns.
- The law is permanent, without an expiration date. Donors will be able to give year after year, providing continuous financial support to K–12 students in Pennsylvania and across the United States.

Q5. When will students begin receiving scholarships?

A5. As soon as SGOs receive donations in 2027, they can begin administering scholarships.

- The program will be brand new in January 2027, and expectations for FSTC's initial year are that most scholarship awards will apply to the 2027–28 school year.