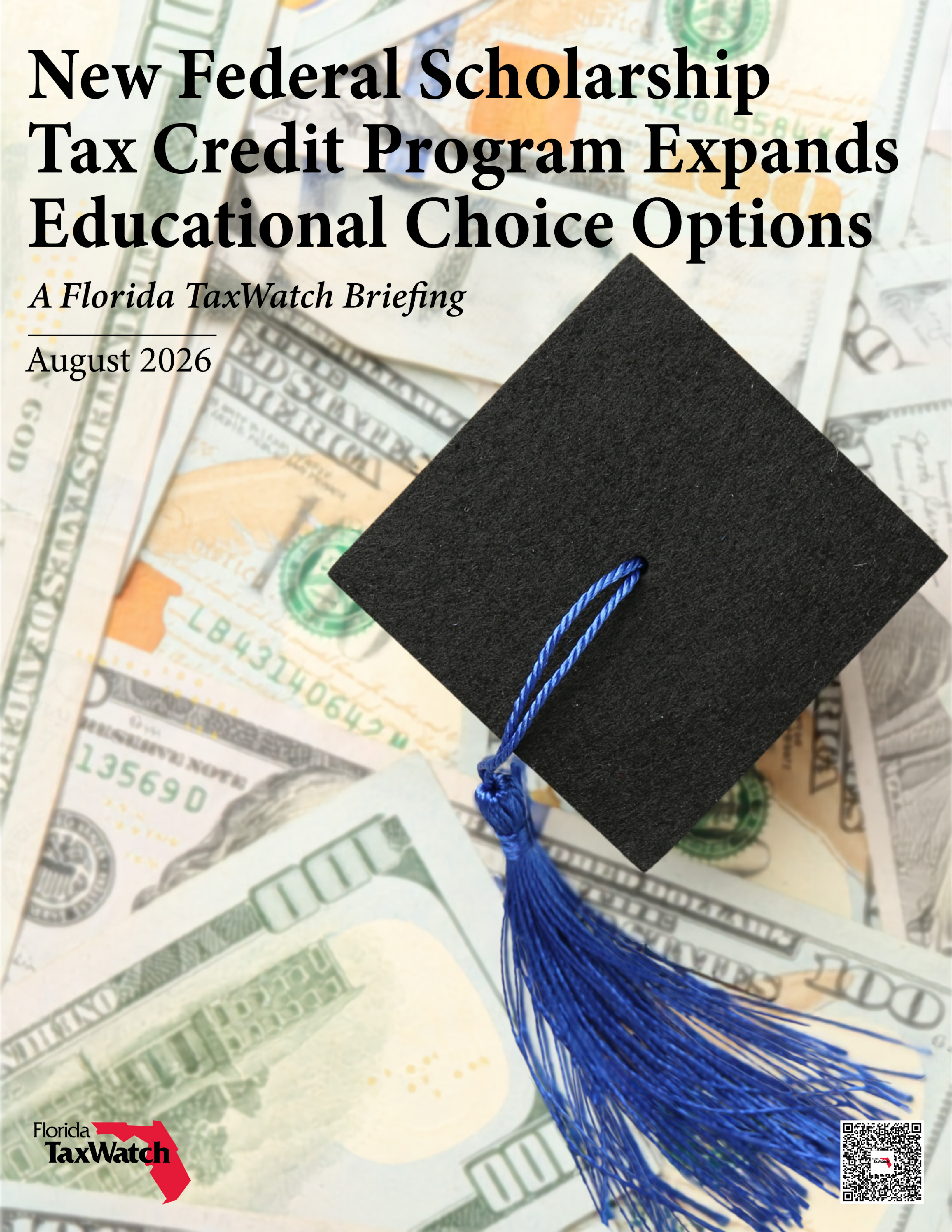


New Federal Scholarship Tax Credit Program Expands Educational Choice Options

A Florida TaxWatch Briefing

August 2026

Florida TaxWatch

Introduction

Through the operation of one of the nation's most expansive universal school choice systems, Florida continues to be a leader in providing educational choice options for students and families. Every K-12 student is eligible for taxpayer-funded scholarships, in the form of Education Savings Accounts (ESAs), to attend private schools or to cover home education expenses. Families can also choose from traditional public school open enrollment, public charter schools, and magnet schools. Through this robust array of school choice programs, Florida empowers every family and every child to achieve their educational goals. In total, nearly 1.4 million students are utilizing a school choice option in Florida, which represents more than 50 percent of taxpayer funded students.[1]

The "One Big Beautiful Bill Act," signed by the President on July 4, 2025, establishes a new federal tax credit —the Education Freedom Tax Credit (EFTC)— designed to expand educational options for all school-aged children by encouraging donations to Scholarship Granting Organizations (SGOs)[2] like Step Up For Students that, in turn, grant Education Freedom Scholarships to students for qualified elementary and secondary education expenses within the states they serve. Florida TaxWatch undertakes this commentary is to better understand the Education Freedom Tax Credit scholarship program, how it works, and its impact on the public education system and Florida families.

What is the education freedom tax credit?

This new program allows individuals to contribute up to $1,700 to state-approved SGOs that would otherwise have been owed to the government in federal income taxes.[3] Unlike a deduction, which decreases an individual's taxable income, the tax credit reduces the amount of federal income tax owed on a "dollar-for-dollar" basis.

The tax credit is available to any individual who is a citizen or resident of a participating state and who makes a qualified contribution to an approved SGO during the taxable year. Taxpayers can begin claiming the tax credit for contributions made beginning in January 2027. SGOs then use these contributions to fund scholarships to children to attend a school of choice or to access other education-related services. Although the amount of an individual donor's tax credit is limited to $1,700, scholarship amounts are not capped. The amount of a scholarship awarded will be determined by the SGO based upon the mission of that SGO.

How does the education freedom tax credit work?

To make the Education Freedom Tax Credit available, a state must first voluntarily elect to participate and provide a list of SGOs that meet the federal statutory requirements to the Internal Revenue Service no later than January 1rst of each calendar year. Florida Governor Ron DeSantis announced on January 28, 2026, that Florida would "opt in" to the tax credit established by the One Big Beautiful Bill Act to expand school choice efforts. Florida became one of 31 states (as of July 2026) that have opted in or that intend to opt in (see Figure 1).

1 Executive Office of the Governor, "Governor Ron DeSantis Announces School Choice Success," Newsroom, January 10, 2025.
2 SGOs are nonprofits that accept qualified contributions from individuals and use the funds to provide scholarships for education-related services at private or public schools, including tuition, fees, academic tutoring, and classroom supplies. The three SGOs approved by the state to administer Florida's K-12 scholarship programs include: AAA Scholarship Foundation – FL, LLC; Step Up For Students; and Sunshine State Kids.
3 Internal Revenue Service, "Federal Scholarship Tax Credit (FSTC)," retrieved from https://www.irs.gov/government-entities/federal-state-local-governments/federal-scholarship-tax-credit-fstc, accessed on May 26, 2026.

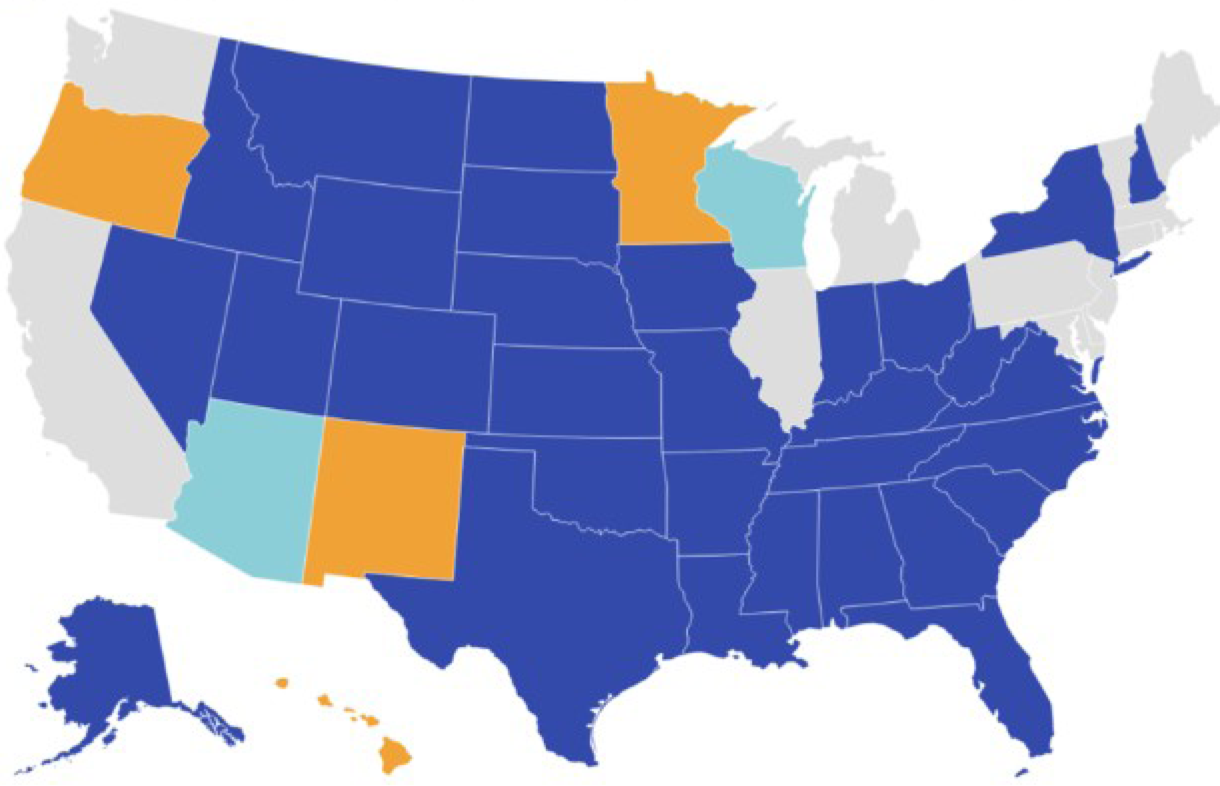
FIGURE 1.

FLORIDA IS AMONG THE 31 CURRENT PARTICIPATING STATES IN FEDERAL SCHOLARSHIP TAX CREDIT PROGRAM

Which states are opting into the federal education tax credit scholarship program?

States highlighted below have either formally opted in, made official action indicating their intent to participate, or issued statements about their participation. States shaded in grey have either opted not to participate or have not made a decision one way or the other.

- Governor statement - state will not participate
- Official action regarding intent to participate failed
- State formally opted in (including if the governor or legislature announced intent to participate)



BALLOTPEDIA

Source: Ballotpedia

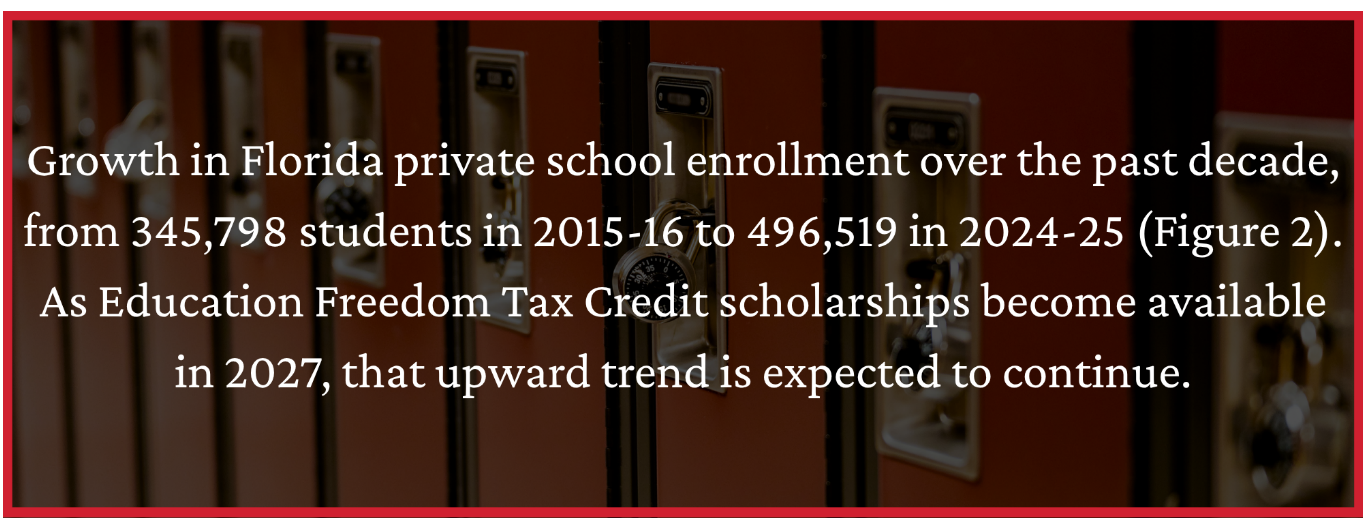
Taxpayers will be able to make donations to SGOs starting January 1, 2027, and claim the credit on the same year's tax return.[4] To cover administrative costs, SGOs can retain up to 10 percent of the income from the scholarship donations. The SGOs may only operate in states that "opt in" to the EFTC; however, residents of non-participating states can donate to eligible SGOs in a participating state and receive the federal tax credit.[5]

To be eligible to receive scholarship funds, students must be eligible to attend public school and come from households that earn no more than 300 percent of their area's median gross income. The donated scholarship funds are sent from the SGOs directly to the families and students to use for eligible educational expenses. While individual contributions are capped at $1,700, there is no limit to how much funding a single family may receive, nor are families prohibited from combining funds from this federal program with state-based school choice scholarship programs.[6]

How do Education Freedom Tax Credit scholarships promote school choice?

The tax credit scholarships are intended to help families select the schools, learning services, supports, or materials best suited to their children's needs. As more individuals contribute to SGOs and more funding for students becomes available, more students will be able to benefit from the scholarships, and more families will be able to choose the right education institution for their students without the traditional financial obstacles. The uncapped dollar-for-dollar tax credit poses an opportunity to lower the barriers to entry for lower income families and incentivizes individuals and organizations to contribute to approved SGOs to sustain funding for the scholarship program.

During the 2025-26 school year, an estimated 2.75 million students were enrolled in public schools and more than 467,000 were enrolled in private schools in Florida.[7] Student enrollment in private schools continues to increase year-over-year in Florida as school choice options become more accessible and more students leave public schools (Figure 2). The Education Freedom Tax Credit program allows students to attend private schools and other public school choice options and removes funding barriers many Florida households encounter.



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4 Ibid.

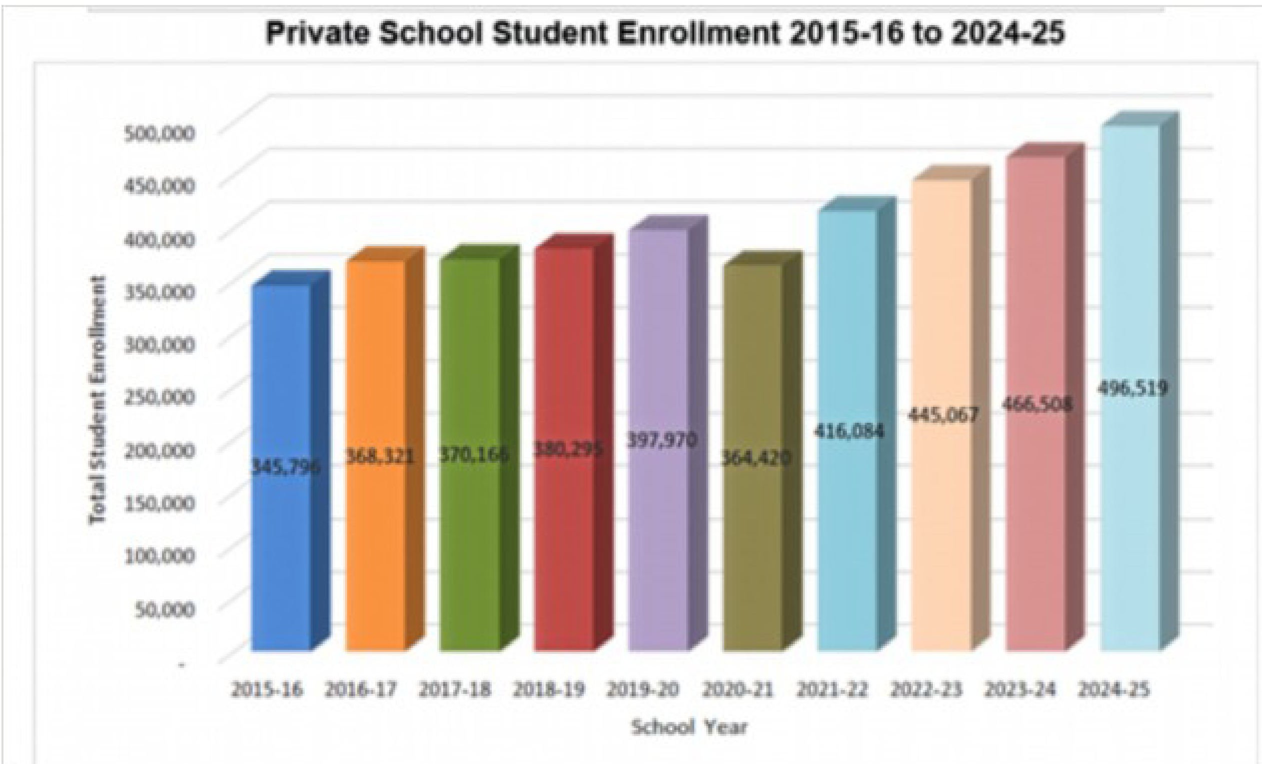
5 United States Department of Education, "Fact Sheet: President Trump Delivers Affordable School Choice Options Through Education Freedom Tax Credit," retrieved from chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ed.gov/media/document/education-freedom-tax-credit-fact-sheet-113147.pdf, accessed on June 15, 2026.

6 One Big Beautiful Bill Act of 2025, Public Law No. 119-21, 139 Stat. 3 (2025).

7 Florida Department of Education, "Student Enrollments: PK12 Enrollment & Private School Directory," retrieved from https://edudata.fldoe.org/AdvancedReports_Tableau.html?StudentEnrollments=true, accessed on May 26, 2026.

FIGURE 2.

STUDENT ENROLLMENT IN PRIVATE SCHOOLS IN FLORIDA HAS CONTINUED TO INCREASE SINCE 2015



Source: Florida Department of Education[8]

The EFTC scholarship program promotes funding for tutoring, school supplies, tuition costs, and other critical academic support programs such as therapies for special needs students. A 2025 study estimates the EFTC program could redirect more than $24 billion annually from individual taxpayers using this tax credit program to decrease their tax liability to support this scholarship program. The same report estimates an annual redirection of $800 million in states that have a one percent participation rate in the EFTC program.[9] As participation grows each year, the program's estimated annual income and redirected tax revenue increase accordingly.

How is public education affected?

It is important to note that the new federal tax credit scholarships do not divert any funding from public schools. Public school funding primarily comes from local property taxes, state revenue, and federal grants, which is unaffected by the scholarships. The tax credit scholarships do not divert any of this money; instead, Florida taxpayers are encouraged to give a portion of their federal tax obligation to support education services for qualifying students.

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8 Florida Department of Education, "Florida's private Schools 2024-25 School Year Annual Report," June 2025.

9 DFER, "New Data Projects Potential $24 Billion Boost for Students Through Educational Choice for Children Act (ECCA)," retrieved from https://dfer.org/2025/10/06/new-data-projects-potential-24-billion-boost-for-students-through-educational-choice-for-children-act-ecca/, accessed on June 15, 2026.

Education Freedom Tax Credit scholarships help public schools by funding targeted educational resources, such as specialized tutoring, after-school programs, and special education services, without taking money away from the public school system. These scholarships support public school students and systems in a number of ways. For example, the tax credit scholarships can be used to pay for academic tutoring and out-of-school programs at public schools. Families can use the scholarships to fund additional support services and equipment for children with disabilities, easing the resource burden on individual public school. Families can use scholarship funds to purchase computers, internet access, and other educational materials.

An October 2025 analysis by Education Reform Now (ERN) estimates that, if all governors opt into the program and effectively engage families, as much as $24 billion nationally could be redirected to SGOs to fund tuition, tutoring, supplies, and other critical academic support services. Each one percent participation rate by eligible taxpayers (those with a federal tax liability of $1,700 or more) is projected to generate more than $800 million annually. At higher levels of engagement (e.g., 15-30 percent), tens of billions of dollars could be generated.[10] Every $1 billion in scholarships could fund tuition at a school of choice for more than 75,000 students, or fund tutoring for more than 300,000 public school students.[11]

Increased scholarship funding from tax credits is also likely to produce increased gains in student learning. A 2026 report by the American Federation for Children reveals that scaling Florida's scholarship program yields an 11.2 times higher return on student learning gains compared to equivalent increases in general K-12 spending[12] (Figure 3).[13]

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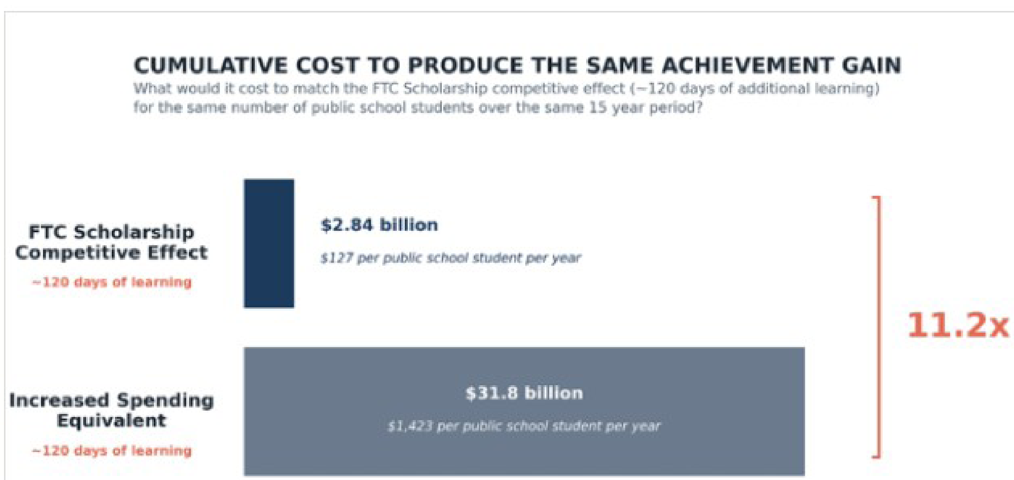
FIGURE 3.

SUPPORTING SCHOOL CHOICE AND STATE SCHOLARSHIP PROGRAMS PROVIDE SIGNIFICANT INVESTMENT ADVANTAGES COMPARED TO INCREASING TRADITIONAL K-12 PUBLIC SCHOOL SPENDING



Source: American Federation for Children

10 Democrats for Education Reform, "New Data Projects Potential $24 Billion Boost for Students Through Educational Choice for Children Act (ECCA)," Press Release, October 6, 2025.

11 United States Department of Education, "Fact Sheet: President Trump Delivers Affordable School Choice Options Through Education Freedom Tax Credit," retrieved from chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ed.gov/media/document/education-freedom-tax-credit-fact-sheet-113147.pdf, accessed on June 15, 2026.

12 Patrick Graff, American Federation for Children, "School Choice Competition vs. New Education Spending Estimating the Academic Benefits for Public School Students," March 2026.

13 Ibid.

This same report shows that an annual $127 per student investment ($2.84 billion total) in school choice program expansion yields about 120 days of additional learning over a 15-year period. In comparison, an annual $1,423 per student cost ($31.8 billion total) is necessary to achieve the same level of academic gain through traditional public education spending.[14] Scaling school choice and increasing scholarship opportunities for Florida families to enroll their students in the right programs and schools has a direct positive impact on student learning and decreases the cost of education at the same time.

Conclusions

The Education Freedom Tax Credit scholarships empower parents by providing additional financial resources with which to tailor their children's education. The scholarships help to ensure that parents are in a position to select the specific schools, learning services, or materials that best suit their children's unique learning needs. Families can use the scholarships to pay for a wide array of educational expenses, including private school tuition, academic tutoring, special needs therapies, school supplies, and transportation.

The tax credit incentivizes private investment into education by granting a dollar-for-dollar tax credit, making it an attractive way for individuals to support students. Experts estimate this will generate billions of dollars in new scholarship funding. By designating the scholarships for households earning up to 300% of their area's median gross income, families who might not otherwise qualify for low-income-only programs will now have additional opportunities. Perhaps best of all, the scholarships do not divert money directly from state and local education budgets.[15]

14 Patrick Graff, American Federation for Children, "School Choice Competition vs. New Education Spending Estimating the Academic Benefits for Public School Students," March 2026.
15 Democrats for Education Reform

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About Florida TaxWatch

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

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All Florida TaxWatch research is done under the direction of Lt. Governor Jeff Kottkamp, President, CEO, Publisher & Editor.

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