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Unleashing Opportunity

*Why Wisconsin Should Opt In
to the Federal Tax Credit
Scholarship Program*

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Executive Summary

A new federal tax credit scholarship opportunity, enacted as part of the “One Big Beautiful Bill Act,”¹ creates an unprecedented opportunity to expand access to educational resources for all Wisconsin students—without any cost to the state. The federal scholarship opportunity allows individuals to receive a 100% federal tax credit of up to \$1,700 for donations to Scholarship Granting Organizations (SGOs), which then distribute funds to eligible students for a broad range of qualified education expenses.² Unlike the existing private school parental choice programs in Wisconsin, which are limited to tuition and tied to strict income thresholds, this federal opportunity is available to more families and supports a variety of educational needs.

To participate, Wisconsin must opt in by submitting a notice to the U.S. Department of the Treasury.³ Doing so would open the door for families across all educational settings, such as traditional public, open enrollment, charter, private, and homeschool, to receive supplemental education support. With bipartisan appeal and no fiscal impact to the state, this is a commonsense move that will give families more tools to support student success, while allowing Wisconsin taxpayers to reduce their federal tax burden for their philanthropic support.

Key Takeaways

1. **No Cost to the State:** The federal scholarship opportunity is fully funded through private donations incentivized by a federal tax credit.⁴ Participation does not impact the state budget in Wisconsin.
2. **Flexible Use of Funds:** Scholarships may be used for tutoring, curriculum, transportation, internet access, technology, materials, special needs therapies, and more, not just private school tuition.⁵
3. **Expanded Access for Families:** Unlike the existing Wisconsin private school parental choice programs with income limits based on federal poverty levels, eligibility is set at 300% of the area median income, encompassing more middle-class families.⁶
4. **Clear Path Forward:** Governor Evers only needs to submit a notice to the U.S. Treasury⁷ and provide an annual list of qualified SGOs that meet federal requirements. This simple

¹ One Big Beautiful Bill Act, Pub. L. 119-21, 139 Stat. 72 (2025) (hereinafter the “Act”).

² Act, § 25F(b)(1), 139 Stat. 72, 215 (2025).

³ Act, § 25F(g)(1), 139 Stat. 72, 217 (2025).

⁴ Act, § 25F(c)(3), 139 Stat. 72, 215 (2025).

⁵ Act, § 25F(c)(4), 139 Stat. 72, 215 (2025).

⁶ Act, § 25F(c)(2)(a), 139 Stat. 72, 215 (2025).

⁷ Act, § 25F(g)(1), 139 Stat. 72, 217 (2025).

step could unlock support for tens of thousands of students.

5. **Risk Tax Dollars Leaving the State:** If Wisconsin doesn't opt in, Wisconsin residents can still make donations to SGOs in other states, meaning families in the state won't see the benefits of donations from residents.

Introduction

A new federal tax credit scholarship opportunity is poised to expand access to educational support for students across the country at no cost to state governments. This innovative opportunity allows individuals to receive a 100% federal tax credit for donations to Scholarship Granting Organizations (SGOs), which in turn fund tutoring, transportation, special education therapies, materials, technology, and more. It's a flexible approach to helping families customize learning experiences based on the unique needs of each child, not just for private school students, but for those in public, charter, and homeschool settings as well.

However, Wisconsin families won't benefit unless the Governor acts. States must opt in for SGOs to operate and for families to receive scholarships.⁸ With the federal rulemaking process still ahead, now is the time for Wisconsin leaders to prepare. This report explains how the federal scholarship works, what is at stake, and why opting in is critical to ensure all families have access to the expanded learning opportunities this new law makes possible.

How The Federal Tax Credit Scholarship Opportunity Works

For the first time, federal law establishes a nationwide K–12 scholarship opportunity aimed at expanding educational opportunities for families across all types of schools. This groundbreaking initiative, created in the “One Big Beautiful Bill Act” (OBBA) (H.R. 1) and modeled on the previously introduced Educational Choice for Children Act (ECCA), allows individual taxpayers to receive a 100% federal income tax credit of up to \$1,700 per year for donations to qualifying SGOs.⁹

The federal tax credit scholarship opportunity begins in 2027, is permanent under federal law, and critically, has no cap on the total amount of credits that can be claimed nationwide. In instances where a taxpayer's federal income tax liability is less than the full \$1,700 credit – for

⁸ Act, § 25F(g)(1), 139 Stat. 72, 217 (2025).

⁹ Act, § 25F(b)(1), 139 Stat. 72, 215 (2025).

instance, if their tax bill is only \$1,000 – they won't lose the remaining \$700 credit. Instead, the unused portion can be carried forward and applied to future tax years for up to five years.¹⁰

Unlike many existing parental choice programs that rely on direct public funding, this federal initiative is fueled by private donations. SGOs – nonprofit, tax-exempt organizations approved by states and listed with the U.S. Department of the Treasury – use those donations to fund scholarships for eligible students. To qualify, a student must be from a household earning no more than 300% of an area's median income (as discussed below) and be eligible to enroll in a public elementary or secondary school.¹¹

This federal scholarship opportunity is designed to operate alongside existing state parental choice programs. Families and donors in states with education savings accounts, tax-credit scholarships, or private school choice programs can continue participating in those options while also benefiting from this new federal initiative. Donors may not claim both a federal tax credit and a state tax credit for the same contribution.¹² This restriction applies in states offering a 100% state tax credit for donations to SGOs. However, in states with less than a 100% credit, such as the 50% credit in Indiana,ⁱ donors may be eligible for a partial federal credit for the same donation, provided they do not receive a profit. This limitation does not currently apply in Wisconsin, as Wisconsin does not offer a state tax credit for donations to SGOs.

Despite being a federal program, the law requires states to opt-in before families can access scholarships.¹³ Each year, the governor, or another official designated by state law, must submit a list of approved SGOs to the U.S. Department of the Treasury.¹⁴ Only donations made to SGOs on that list qualify for the federal tax credit.¹⁵ If a governor refuses to act or delays implementation, families in that state are effectively locked out of the program and left without access to these new scholarship opportunities.

To qualify, an SGO must meet several requirements, including¹⁶:

1. The SGO must be a 501(c)(3) tax-exempt organization.
2. The SGO must provide scholarships to a minimum of 10 students.
3. The SGO must be located in the state and serve students from the same state.

¹⁰ Act, § 25F(f), 139 Stat. 72, 216–17 (2025).

¹¹ Act, § 25F(c)(2), 139 Stat. 72, 215 (2025).

¹² Act, § 25F(b)(2), 139 Stat. 72, 215 (2025).

¹³ Act, § 25F(c)(1), 139 Stat. 72, 215 (2025).

¹⁴ Act, § 25F(g)(1), 139 Stat. 72, 217 (2025).

¹⁵ Act, § 25F(c)(3), 139 Stat. 72, 215 (2025).

¹⁶ Act, § 25F(c)(5)–(d), 139 Stat. 72, 216 (2025).

4. The students benefiting from any individual SGO must be enrolled in more than one school.
5. Each year, the SGO must spend at least 90% of the income of the organization on scholarships for eligible students.
6. SGOs are required to verify the household income and family size of all applicants to ensure they meet the program's eligibility threshold.
7. SGOs must give priority to students who received scholarships the previous year and then to students who have a sibling who received a scholarship.
8. Additionally, SGOs may not earmark donations for any particular student.

More information on how scholarship dollars can be used is provided in the next section.

Eligible Expenses Under the Federal Scholarship Opportunity

In Wisconsin, the existing private parental choice programs may only be used for the cost of tuition at participating schools, with the state paying the tuition amount on behalf of the students directly to the school. Families enroll their child and choose the school, but do not control how the funds are spent beyond tuition.

In contrast, the new federal scholarship opportunity allows scholarship funds to be used for a broader range of qualified educational expenses beyond just tuition.¹⁷ Under the federal tax code, eligible expenses include:¹⁸

- Tuition, fees, academic tutoring, special needs services, books, supplies, and other equipment.
- Room and board, uniforms, transportation, and supplementary items and services.
- Computers, technology equipment, internet access, and related services.

This flexibility is partly because the eligible expenses section of the law is linked to language governing Coverdell Education Savings Accounts, which explicitly permit use at religious schools.ⁱⁱ Religious schools are already protected under federal law, as reinforced by U.S. Supreme Court decisions like *Cason v. Makin* and *Espinoza v. Montana Department of Revenue*, which prohibit discrimination against religious schools in publicly funded education programs.

¹⁷ Act, § 25F(c)(4), 139 Stat. 72, 215 (2025).

¹⁸ 26 U.S.C. § 530(b)(3)(A) (Coverdell Education Savings Accounts).

As a result, qualifying Wisconsin students, including those attending their assigned public schools, participating in open enrollment, enrolled in charter schools, in homeschool settings, and in private schools, could use these scholarships for a variety of educational supports.

Opportunity for Innovative Scholarship Granting Organizations (SGOs)

This federal scholarship opportunity gives SGOs substantial freedom to design and focus their scholarship efforts based on a community's educational needs. Since individuals choose which SGOs to support with their donations, these organizations can develop innovative strategies to support specific student populations or geographic areas.

For example, an SGO might serve low-income or special needs students, providing funds for therapies, tutoring, or specialized services that may not be covered by public school funding. Other SGOs might concentrate on STEM or literacy programs designed to enhance educational opportunities in those areas by providing support for after-school programs, summer learning camps, or targeted interventions for struggling readers. In rural communities and regions where transportation poses a barrier to open enrollment, an SGO could allocate scholarships to help families cover transportation costs for open enrollment or charter schools. Some SGOs might also work to bridge the digital divide by covering the cost of internet service or providing basic devices to students in communities where such resources are limited—while recognizing that technology should support, not replace, high-quality instruction.

This flexibility encourages creative, targeted scholarship programs that expand educational opportunities and supports beyond what typical state programs provide, helping meet diverse student needs in new and impactful ways.

How Can Wisconsin Participate?

Students in Wisconsin are not automatically eligible for scholarships under the federal tax credit program established by the OBBB. Instead, states must voluntarily choose to participate by “opting in.”¹⁹ To do so, the designated state official or agency responsible for administering federal tax benefits must submit an annual list of qualified SGOs operating in the state that meet all federal requirements.²⁰ This list must be submitted to the U.S. Department of the Treasury by January 1 each year for the state to continue participation.²¹

¹⁹ Act, § 25F(c)(1), 139 Stat. 72, 215 (2025).

²⁰ Act, § 25F(g)(1)(B), 139 Stat. 72, 217 (2025).

²¹ Act, § 25F(g)(1)(A), 139 Stat. 72, 217 (2025).

Under Wisconsin law, the Governor is the most appropriate and likely official to make the election required to participate in the new federal tax credit scholarship opportunity. The relevant language in the OBBB provides that “[t]he election under this paragraph shall be made by the Governor of the State or by such other individual, agency, or entity as is designated under State law to make such elections on behalf of the State with respect to Federal tax benefits.”²² In Wisconsin, no state law designates another official or agency, such as the State Superintendent or the Department of Revenue, as responsible for making elections on behalf of the state regarding federal tax benefits. Absent such a designation, the Governor remains the default decision-maker under the federal law.²³

It’s worth noting that if the Governor does not opt Wisconsin in, then donors can instead send their money to SGOs in other states and still receive the tax benefit. The practical impact of this would likely be a redirection of millions of potential scholarship dollars away from Wisconsin students. This would represent a massive, missed opportunity to support Wisconsin families and strengthen educational outcomes across the state.

Have Tax Credit School Choice Programs Been Implemented at the State Level?

Several states have previously implemented their own versions of tax credit scholarships, most notably Ohio and Florida. The Ohio Tax Credit Scholarship Programⁱⁱⁱ, enacted in 2021, and the Florida Tax Credit Scholarship Program, enacted in 2001, may serve as useful models for Wisconsin schools and organizations seeking to operate as SGOs if the state chooses to participate in a similar federal program.

In Ohio, the Attorney General’s Office is responsible for certifying and tracking SGOs eligible to participate, and the Department of Taxation publishes the available tax credit and directs inquiries about the program to the Attorney General. Ohio requires SGOs to be a 501(c)(3) nonprofit that prioritizes K–12 scholarships for low-income students and complies with reporting requirements under Ohio law.²⁴ All Ohio students^{iv} are eligible to apply for SGO scholarships, allowing for the program to be more universal in nature.

The Florida Tax Credit Scholarship Program^v has much greater oversight compared to its counterpart in Ohio and was originally created for corporations that make education-based donations. Several state agencies work in tandem to implement and enforce rules surrounding the eligibility of Scholarship-funding Organizations, schools, and students. Florida’s Departments of Education, Revenue, Business and Professional Regulation, and Financial Services, as well as the Division of Alcoholic Beverages and Tobacco, work together to

²² Act, § 25F(g)(1)(B), 139 Stat. 72, 217 (2025).

²³ Act, § 25F(g)(1)(B), 139 Stat. 72, 217 (2025).

²⁴ Ohio Rev. Code Ann. §§ 109.23-109.32 and 1716.

administer and monitor different rules surrounding the program. Because of Florida’s stringent oversight requirements, there are only two SGOs authorized to provide student scholarships and tax credits to donors. Despite the heavy regulation, all Floridian students^{vi} are eligible to apply for scholarships regardless of income.

Both programs offer valuable examples that can help guide Wisconsin in developing its own approach if the state chooses to participate. However, the federal rulemaking process has not yet taken place, so many details, including which state agencies might have oversight responsibilities and how the program will be regulated, remain unknown. While some level of accountability for SGOs is important to ensure program integrity, it is equally important to avoid excessive state involvement or burdensome regulation that could limit the flexibility and effectiveness of this education expansion opportunity. As federal regulations and guidance develop, stakeholders should advocate for a streamlined, efficient approach that empowers families and nonprofits rather than creating unnecessary red tape.

Student Eligibility in Wisconsin

The income limit for the federal tax credit scholarship opportunity is 300% of Area Median Income (AMI).²⁵ This differs from the current income thresholds for the Wisconsin parental choice programs, which are limited to 300% of the Federal Poverty Limit (FPL) in Milwaukee and Racine and 220% in the rest of the state. AMI is a metric calculated by the Department of Housing and Urban Development^{vii} to determine the median income level for a specific geographic area.²⁶ Because AMI measures the *median* income of an area, which includes middle- and higher-income households, it tends to be significantly higher than the FPL, which is a strict poverty benchmark.

Even though the income limit for the new federal opportunity is not adjusted for household size like Wisconsin’s FPL-based parental choice programs, the generally higher 300% AMI threshold means it would still cover more families overall than the existing programs.

**Table 1: Federal Tax Credit vs. Wisconsin Private Choice Income Limits
(Married Family of Four).**

Area	Median Income	Federal Program Limit	WI Private Choice Limit
Milwaukee, Milwaukee	\$102,100	\$306,300	\$100,600
Racine, Racine	\$97,300	\$291,900	\$100,600
Brookfield, Waukesha	\$102,100	\$306,300	\$75,640
Fond du Lac, Fond du Lac	\$95,700	\$287,100	\$75,640

²⁵ Act, § 25F(c)(2)(a), 139 Stat. 72, 215 (2025).

²⁶ 26 U.S.C. 42

Kenosha, Kenosha	\$97,800	\$293,800	\$75,640
Appleton, Outagamie	\$104,000	\$312,000	\$75,640
Green Bay, Brown	\$98,000	\$294,000	\$75,640
Manitowoc, Manitowoc	\$81,700	\$245,100	\$75,640
Greendale, Milwaukee	\$102,100	\$306,300	\$75,640
New Berlin, Waukesha	\$102,100	\$306,300	\$75,640

For example, a family of four in Milwaukee earning more than \$100,600 per year is ineligible for the Milwaukee Parental Choice Program but would qualify for a federal scholarship with an income of up to \$306,300, a \$205,700 increase as compared to the Wisconsin program.

Supplementing Existing School Choice Programs

Scholarships via the federal tax credit opportunity can supplement existing school choice program funding in certain cases. For instance, if a state-funded scholarship covers \$5,000 and the total cost of tuition at a private school is \$7,000, the funds related to the federal scholarship opportunity could be used to make up the difference. In Wisconsin, private K–8 schools participating in parental choice programs must accept the state payment as full tuition. However, at the high school level, families with incomes above 220% of FPL may be responsible for a portion of tuition. In those cases, funds attributable to a federal scholarship could help bridge the gap.

Funds via federal scholarships could also assist students who are not eligible for a Wisconsin parental choice program, helping cover tuition or other educational costs. And for students already participating in the K–8 programs, these funds could be used for additional expenses such as tutoring, technology, uniforms, transportation, or special needs services.²⁷

Next Steps

The federal law has been enacted, but formal rulemaking to implement the new scholarship opportunity must also take place. WILL is closely following the process and advocating for rules that make it as easy as possible for taxpayers to contribute to SGOs, minimize unnecessary federal and state interference so that SGOs can operate with flexibility, and help ensure that the maximum number of K–12 families and students can access the educational options that best meet their needs.

The new federal tax credit scholarships offer a meaningful opportunity to support students and families nationwide, at no cost to the state. By enabling private donations to education

²⁷ 26 U.S.C. § 530(b)(3)(A)

nonprofits in exchange for a federal tax credit,²⁸ more families are able to access the educational resources they need. It can fill gaps where current programs fall short and expand support for students in every setting, from public to private to homeschool.

Now that the federal scholarship opportunity is law, the only step needed is for each state to opt in by submitting a notice to the U.S. Department of the Treasury.²⁹ We hope that the Wisconsin Governor will take this step to give families every available opportunity to help their children thrive.

Conclusion

This new program is a commonsense, bipartisan way to expand educational opportunities and support student success. With no financial burden on the state, it's a win for families with children in any educational setting and the communities where they live. We encourage Governor Evers to take the necessary step to opt in.

Sources

ⁱ "Indiana School Scholarship Tax Credit". *edChoice*, <https://www.edchoice.org/school-choice/programs/indiana-school-scholarship-tax-credit/>.

ⁱⁱ IRS, *Publication 970: Tax Benefits for Education*, 2024, <https://www.irs.gov/publications/p970>.

ⁱⁱⁱ "Scholarship Donation Credit". *Ohio Department of Taxation*, <https://tax.ohio.gov/individual/resources/scholarship-donation-credit>.

^{iv} "Ohio Tax-Credit Scholarship Program". *edChoice*, <https://www.edchoice.org/school-choice/programs/ohio-tax-credit-scholarship-program/>.

^v "Florida Tax Credit FAQs". *Florida Department of Education*, <https://www.fldoe.org/schools/school-choice/k-12-scholarship-programs/ftc/ftc-faqs.stml>.

^{vi} "Florida Tax Credit Education Savings Account". *edChoice*, <https://www.edchoice.org/school-choice/programs/florida-tax-credit-scholarship-program/>.

^{vii} "FY 2024 Income Limits Documentation System". *HUDUser*, https://www.huduser.gov/portal/datasets/il/il2024/select_Geography.odn?STATES=54.0&statelist=54.0&stname=Alabama&wherefrom=&statefp=01&year=&ne_flag=0&selection_type=&incpath=&data=2024.

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²⁸ Act, § 25F, 139 Stat. 72, 215–17 (2025).

²⁹ Act, § 25F(g)(1), 139 Stat. 72, 217 (2025).