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## Summary

The Federal Scholarship Tax Credit will expand privately funded K–12 scholarships beginning in 2027, but only in states that opt in. Oregon’s participation would unlock new charitable capital, enable local scholarship organizations to form or grow, and broaden education options for children—while nonparticipation leaves these resources inaccessible in-state.

Word Count: 612

***“The Federal Scholarship Tax Credit will increase voluntary charitable funding available to expand education options through scholarships.”***

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## Oregon Should Opt Into the Federal Scholarship Tax Credit So Private Giving Stays with Oregon Kids

By Kathryn Hickok

Last summer, Congress passed the first federal-level legislation promoting educational choice nationwide. The One Big Beautiful Bill Act includes a [new federal tax credit](#) of up to \$1,700 for individual filers who make charitable contributions to qualifying scholarship granting organizations (SGOs) in participating states. The [Federal Scholarship Tax Credit \(FSTC\)](#), which takes effect in 2027, represents a significant expansion of school choice nationwide through private charity.

Tax credits for private scholarship donations have existed at the state level for decades. ([Arizona’s oldest scholarship tax credit](#) was enacted in 1997.) The new Federal Scholarship Tax Credit is the first federal-level school choice tax credit. The FSTC promotes school choice by offering a tax incentive for voluntary, individual donations to scholarship organizations that operate in states whose governors opt in.

The new federal law was written to be widely inclusive of education-related expenses for which scholarship nonprofits can use tax-credit-funded donations. Participating SGOs can set their own parameters for how their scholarships may be used by students, within limits set by federal law. Scholarships can cover tuition, tutoring, extracurriculars, home education expenses, and many other reasonable education expenditures. Tax-credit-funded scholarships can be used by children attending public schools as well as private options. Local communities could start new SGOs to address the specific educational needs of children in their areas.

The Federal Scholarship Tax Credit is sure to increase the ability of many nonprofits to award private scholarships to more children. However, not every scholarship program will be eligible to participate. Governors must individually “opt their states in” and provide the U.S. Department of the Treasury with a list of scholarship organizations in their states that meet the federal guidelines. As of April 2026, 27 governors have made an “advance election to participate” (opted their states in).

Governor Tina Kotek’s office indicated last August that she did not intend to opt Oregon in, making her one of only three governors to publicly say “no” to the FSTC. In early March 2026, *Education Week* reported that “a spokesperson for Kotek said that the governor ‘has not determined’ whether the state will participate and will await final regulations from the U.S. Treasury Department before deciding.” If Gov. Kotek does not opt Oregon in by 2027, a future governor would be free to do so.



Regardless of Governor Kotek’s decision, Oregonians can still receive the tax credit if they donate to scholarship nonprofits in opt-in states. High-quality, established scholarship programs already do excellent work providing education options to students in states whose governors have opted in.

The Federal Scholarship Tax Credit will increase the amount of charitable funding available to help students attend the schools of their choice. Gov. Kotek should opt Oregon into the FSTC. Participating in the federal tax credit does not reduce tax funding for public education. It makes more private funding available to Oregon students by creating a tax incentive for individuals to give voluntarily to scholarship-granting, education nonprofits. Opting in would allow Oregon children to benefit from increased charitable giving and provide Oregonians with an incentive to keep their contributions here in Oregon.

The Federal Scholarship Tax Credit would expand Oregon children’s access to all education options. Opting into the FSTC would signal to Oregonians across the state that they could start new, eligible SGOs—funded by voluntary gifts—to award scholarships targeted to the specific educational needs of children in our communities. This would represent an unprecedented expansion of privately funded educational choice in Oregon.

*Information about the Federal Scholarship Tax Credit is available on the [website of the Internal Revenue Service](#). To know more about how you may benefit from the tax credit in 2027, please consult your tax advisor.*

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***“If Oregon doesn’t opt in, Oregonians can receive the federal tax credit by donating to SGOs in opt-in states. But students here could not benefit from those gifts.”***

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