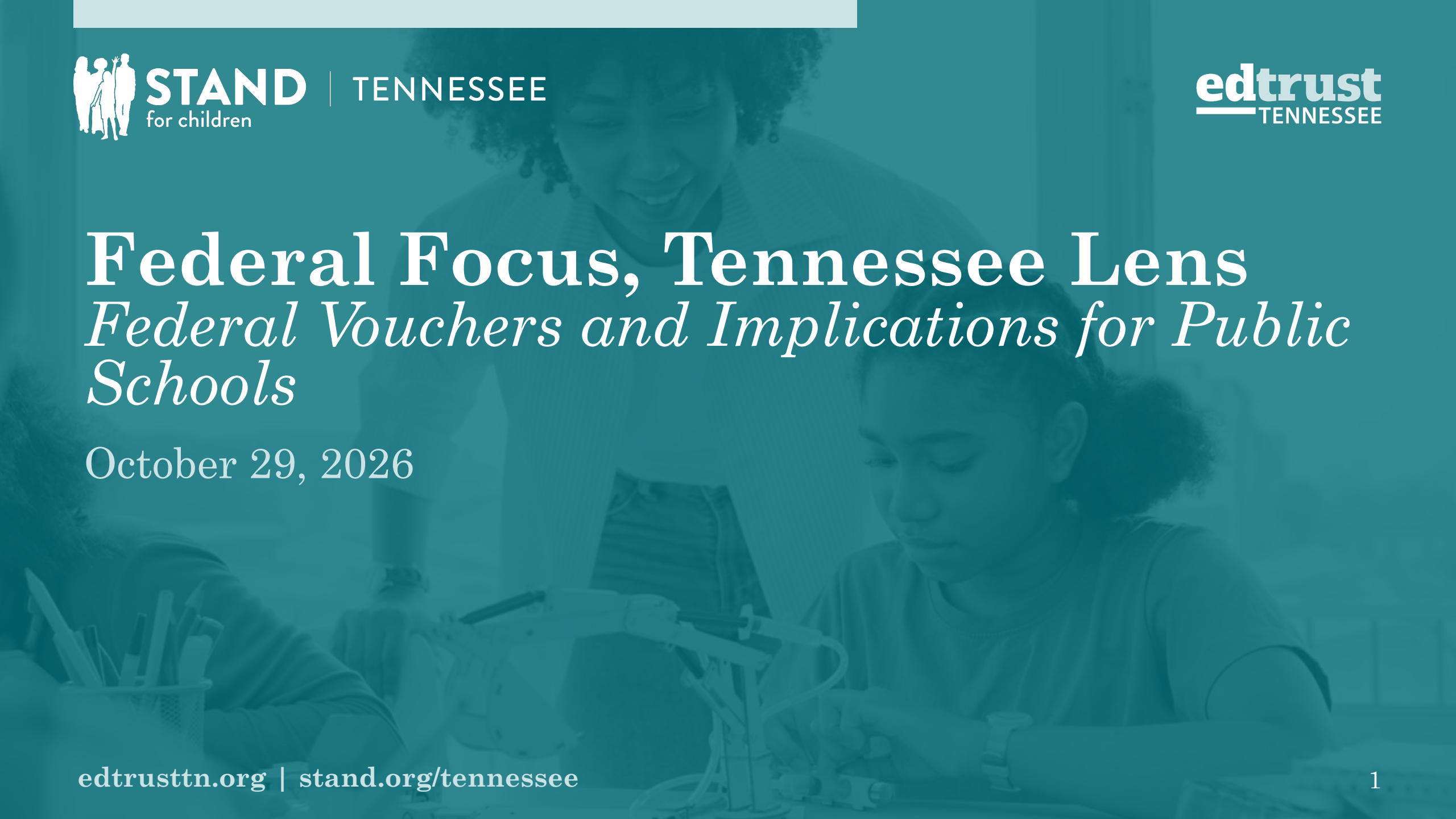


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Federal Focus, Tennessee Lens

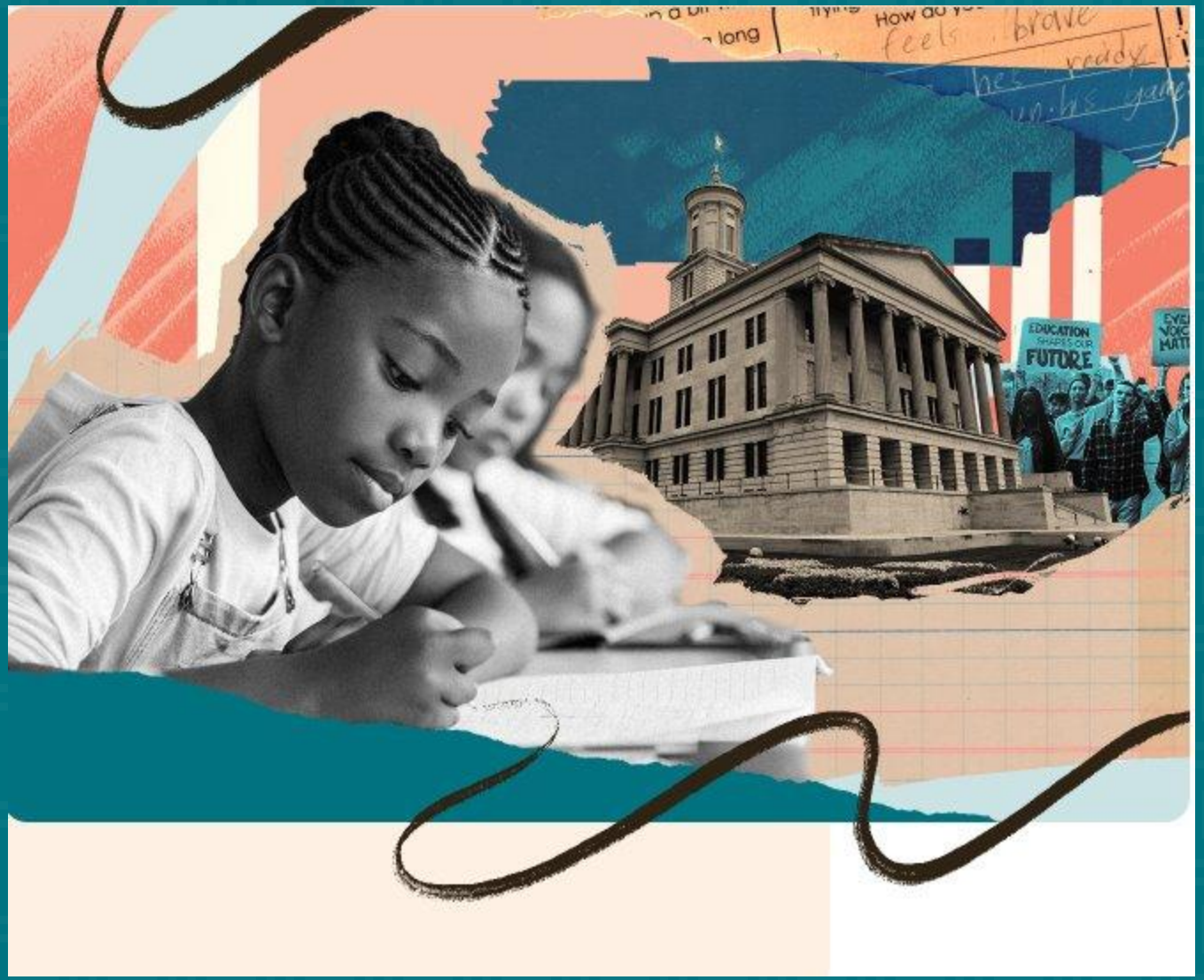
Federal Vouchers and Implications for Public Schools

October 29, 2026

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Who We Are

Statewide advocates for equitable education for historically underserved students, from pre-K through college. EdTrust-TN brings research, funding-equity analysis, and a convening role across the state.



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Today's Agenda

- Equity Risks and Concerns
- Why Advocates Should Pay Attention
- Implementation Timeline
- Proposed Regulations
- Initial Implementation in Tennessee with TDOE
- Resource to Stay Engaged

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Who We Are

We organize parents, educators, and community members to win policy that gives every Tennessee student — especially Black, Latino, and low-income students — a real shot. We have opposed the diversion of public dollars to private school vouchers, and we still do.



Special Thanks to TN Department of Education



Emily Cornute

Director of Policy and Legislative Affairs

Today's Speakers



Alexza Barajas Clark, Ph.D.
Executive Director, EdTrust-Tennessee



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Executive Director, Stand for Children Tennessee



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Equity Risks and Concerns

We Share Concerns About This Program

We share many of the concerns advocates have raised about this new federal program

Accountability and oversight: Significant questions remain about how funds will flow, who will benefit, and what safeguards will exist.

Public education funding:
We remain concerned about the implications for federal education spending and the continued expansion of private school voucher policies.

Equitable access:
Without intentional implementation, the students and communities with the greatest needs may be least likely to benefit.

Our Approach: Engagement is not Endorsement

Engaging with this program does not change our position on vouchers. EdTrust-Tennessee believes public funds should fund public schools exclusively. We continue to have significant concerns about the design and potential consequences of the federal tax credit.

At the same time, the program is moving forward, Tennessee is participating, and public school students are eligible. We believe public education advocates should understand the program, assess its implications, and consider opportunities to ensure public school students are not left out.

We can oppose the federal policy while still working to protect public school students within the reality of its implementation.

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Alignment on Shared Values

We believe public funds should fund public schools exclusively.

We recognize the political reality we are in. Tennessee has opted-in and the program launches January 1, 2027.

While we oppose voucher programs, we are committed to learning about and advocating for new resources that may support public schools.

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Why Should Advocates Engage?

Why Should Advocates Engage?

1. **This is a significant new stream of federal education funding.** Congressional estimates put the federal cost at roughly $26 billion over 10 years.

2. **Public school students are eligible to benefit.** We want to understand what it would take for those resources to reach students who could benefit most.

3. **Advocates have decisions to make.** Our goal today is to provide information so advocates can determine whether and how they want to engage.

A Few Important Notes and Caveats

Terminology: Many names are being used for the federal program. EdTrust-Tennessee is using Federal Voucher Tax Credit (FVTC). Other names include:

- Federal Scholarship Tax Credit (FSTC)
- Education Freedom Tax Credit (EFTC)
- Qualified Elementary and Secondary Education Scholarships
- Educational Choice for Children Act (ECCA)

The Rules Are Taking Shape: Treasury released temporary and proposed rules on October 2. They can still change after public comment, and guidance on qualifying expenses is still coming.

What Treasury released on October 2, 2026

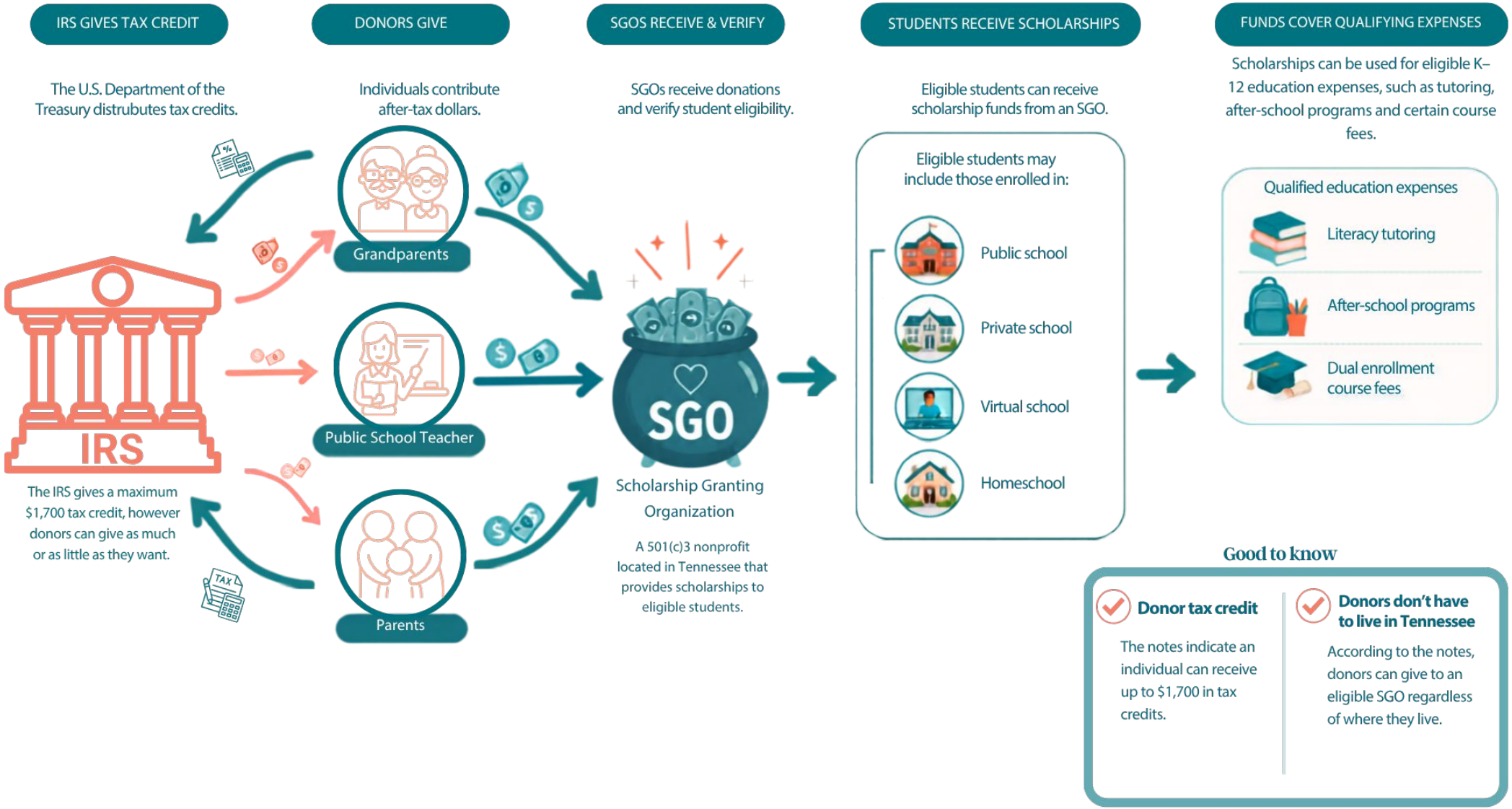
- **Temporary rule (takes effect Dec. 1):** state opt-in, SGO registration, donor reporting.
- **Proposed rule (open for comment):** donor credit, student eligibility, SGO operations, reporting, and audits. Treasury says families, donors, and SGOs can rely on it for 2027.
- **Still missing:** guidance on which expenses qualify. Treasury says it intends to issue it by year-end.

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Overview of the Federal Tax Credit

Visual of Federal Tax Credit Implementation



Good to know

Donor tax credit

The notes indicate an individual can receive up to $1,700 in tax credits.

Donors don't have to live in Tennessee

According to the notes, donors can give to an eligible SGO regardless of where they live.

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Review Proposed Regulations

Process and Timeline

Rules for 2027

Proposed Regulations + **Temporary Regulations**

We are still waiting on future guidance on "qualifying expenses"

Rules for 2028 & Beyond

Proposed Regulations

+ **Public Comment** Due 12/1/26

Final Regulations

Key Takeaways

Generally, the regulations did not change much from what was anticipated after the released of the June preview and where it did there was more clarity.

State Authority to List and Regulate SGOs	• The state website must feature the complete list of SGOs. • States cannot limit the type of school that scholarship recipients attend or the types of qualified education expenses for which funds may be used.
Preventing Fraud and Abuse	• SGOs must submit annual third-party audits to the states where they operate but it is unclear whether those audits will be publicly available. • SGOs must verify student eligibility, expense eligibility, and comply with requirements reasonably tailored to prevent and detect fraud or abuse.
SGO Reporting Requirements	• All participating SGOs must register via the IRS's SGO Portal. • SGOs will be required to annually report information such as: student counts of applicants and recipients, the range and average scholarship amounts, amount of scholarships awarded by expense type, and organizational income. • **What is not required:** recipient family income, demographics, school names or types, and student outcomes.

Still Unclear on Allowable Expenses

- The regulations do not include guidance on allowable expenses.
- Treasury intends to issue separate guidance to clarify the meaning of qualified expenses and schools by the end of the year.
- SGOs can issue scholarships to families only as “qualified reimbursements”, to schools for paid costs, or to "verified vendors” (providers)
  - Indicates the SGO is responsible for verifying but no clarity on what that means

Income Verification

Treasury Preview (June)

Indicated SGOs to verify a student's household income directly through various income documents or participation in a needs-based program. Foster children would satisfying the income requirement without separate income verification.

Temporary/Proposed Regulations (October)

Creates a new **low-income safe harbor** which allows SGOs to bypass individual household income verification when awarding vouchers for individual academic tutoring or special education services to students identified by qualifying schools in low-income areas, provided specified programmatic and third-party audit requirements are met. These are the only academic quality requirements included in the regulations, and they apply only to specific services provided to students in qualifying schools.

Income Eligibility

The U.S. Department of Treasury estimates 96% of children ages 5-17 in covered states will be eligible for the program. Estimated household income limits are below.

	ESTIMATED 300% AMGI LIMIT, BY HOUSEHOLD SIZE*			
COUNTY	**TWO PERSON**	**THREE PERSON**	**FOUR PERSON**	**FIVE PERSON**
Davidson County	**$278,640**	**$313,470**	**$348,300**	**$376,164**
Knox County	**$248,880**	**$279,990**	**$311,100**	**$335,988**
Hamilton County	**$233,760**	**$262,980**	**$292,200**	**$315,576**
Shelby County	**$222,480**	**$250,290**	**$278,100**	**$300,348**
Hardin County	**$153,120**	**$172,260**	**$191,400**	**$206,712**

* Estimated as three times the HUD FY2026 area median family income, adjusted for household size, following the method in Treasury's proposed regulations (REG-117199-25). Sources: U.S. Department of Housing and Urban Development, FY2026 Income Limits; Treasury/IRS proposed regulations, October 2, 2026. Official limits will come from the IRS.

90% of Income Provision

Context

The original law authorizing the program has a provision that eligible SGOs must spend at **least 90% of their income on scholarships** for eligible students.

This language has raised many questions about how it will be implemented in practice.

What Proposed Regulations Clarified

- Confirmation that the 90% rule is total income on scholarships
- Gives SGOs two years to spend donated funds
- Creates a safe harbor provision for organizations whose activities are 85% scholarship granting
- Allows states to recognize SGOs while their IRS 501c3 status is pending

What could this mean at scale?

- This funding won't replace the need for strong, sustained public investment in our schools.
- Funding could support a targeted, well-designed intervention at meaningful scale.
- Intentional infrastructure development can ensure that public school students get their fair share of resources.

If an SGO funded...	Per student	Students	Total needed	Donors at $1,700
K-3 high-dosage literacy tutoring	$2,500	5,000	$12.5 million	~7,400
K-3 high-dosage literacy tutoring	$2,500	20,000	$50 million	~29,400
Summer learning programming	$1,200	10,000	$12 million	~7,100
Wraparound supports, students in foster care	$5,000	1,000	$5 million	~2,900
Devices and home internet	$600	15,000	$9 million	~5,300
AP, CTE, and industry certification fees	$300	25,000	$7.5 million	~4,400

Unlocking Employer & Payroll Giving Impact

The Opportunity for Donors

Giving can cost donors nothing

Give up to **$1,700** ($3,400 for married couples) and receive a **dollar-for-dollar tax credit** on federal taxes, provided you owe at least that amount.

How Employers Turn It Into Real Money

Employers don't pay out-of-pocket. They make it easy by:

- Adding an SGO option to **payroll giving**.
- Pointing employees to SGOs serving public school students.
- Running a drive during **open enrollment**.

About $65 a paycheck, and lowering withholding by the same amount keeps take-home pay the same.

Example Impact: The Memphis area's 20 largest employers have an estimated 160,000 employees. Every 1% who give through payroll raises about $1.2 million a year.

Share of Employees Giving	Raised Each Year *	K-3 Literacy Tutoring
1%	$1.2 million	**~480 students**
10%	$12 million	**~4,800 students**
25%	$30 million	**~12,000 students**

* Assumes about 45% of employees owe enough federal income tax to claim the full $1,700.
Top 20 Source: Memphis Chamber's Memphis Moves (memphismoves.com), estimated employees.

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Q&A

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Initial Implementation in Tennessee

Updates from the Tennessee Department of Education

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How to Engage

We Believe School Funding Systems Should:

Cover the cost a rigorous, high-quality education that enables all students to succeed in school and in life.

Allocate additional funding to students who face unique barriers to learning.

Provide more support to districts in high-poverty and rural areas, which face higher costs and have fewer resources.

Make it easy to understand if funds are being well-spent and benefiting students with greater needs.

Fund public schools exclusively.

Advocating for funding that covers the cost of a rigorous, high-quality education that enables all students to succeed

- Structures that direct more tax credit funds to public schools
- Structures that incentivize evidence-based interventions
- Inclusion of Pre-K to the extent permissible
- Continued advocacy for regular, substantial increases to state public school funding through TISA

Example: Tennessee could **identify and elevate SGOs** implementing interventions aligned with state early literacy policies.

Advocating for additional funding for students with unique barriers to learning

- Structures that direct more tax credit funds to students on the basis of financial need
- Structures that incentivize organizations serving English learners and students with disabilities

Example: Local organizations could **incentivize donations to organizations serving public school students who belong to student groups** like economically disadvantaged students, English learners, and students with disabilities, or organizations partnering with Title I schools

Advocating for more support for schools serving high-poverty and rural areas

- Infrastructure that makes it easier for less-resourced districts to identify and partner with high-quality SGOs and service providers
- Structures that incentivize organizations partnering with high-poverty or rural schools and districts
- Support to verify student eligibility

Example: Tennessee could **provide guidance on ways to identify students who may be automatically eligible** without separate income verification (students in foster care, students participating in public benefits programs, etc.)

Advocating to make it easy to identify if funds are well-spent and allocated on the basis of student need

- Processes to identify important data to collect and articulate how data collection will work
- Share and publish data on how funds are being spent
- Structures that incentivize additional data transparency

Example: Scholarship-granting organizations could **provide public data on program delivery, finances, participation, and outcomes** that goes beyond what is required by the state or federal government

Fund public schools exclusively

- Advocate against private school voucher expansion

Public Comment

- Public comment is due by December 1, 2026 with a public hearing following on December 15.
- Public comment is an opportunity to inform guidance on the final regulations.
- Submit at regulations.gov, docket IRS-2026-1354, by December 1.
- Requests to speak at the December 15 hearing are due the same day.

Comment to Treasury by December 1, 2026

Stand for Children Tennessee recommends five comments for Tennessee public school students:

1 Read qualified expenses broadly for public school students.

Count pre-K where state law treats it as elementary school, and count summer and afterschool learning. Bar new fees for anything schools must already provide free.

2 Make the tutoring shortcut work for high-poverty schools.

Cover small-group tutoring, not only "individual academic tutoring." Let schools qualify with direct certification data, which is how Tennessee counts economically disadvantaged students, not only with HUD census tracts.

3 Open a path for education foundations.

The 85% scholarship-activity test may force them to set up a separate nonprofit to serve as an SGO.

4 Make SGO reports public.

Require SGOs to publish their reports, including how much goes to students in public, private, and religious schools.

5 Check against state vouchers.

Let states require SGOs to check awards against Tennessee's voucher programs, so the same expense isn't paid twice. Families should still be able to get help with different needs from different sources.

Next Steps

Who you are	What you can do now	By when
Families	Check eligibility with the income table. Ask your school which SGOs serve its students. Consider being donors.	Starting Jan. 1, 2027
School and district leaders	Check whether your schools are in HUD qualified census tracts. Pick a set of priorities, such as K-3 tutoring, and line up SGO partners.	Before first awards in 2027
Tutoring, after-school, and other providers	Become a verified vendor that SGOs pay for services. Document quality and results.	Early 2027
Employers	Offer after-tax payroll giving to SGOs serving public school students.	Open enrollment or Jan. 2027
Donors	Give to SGOs that serve public school students and report their results. Gifts can go to any state's SGOs, so local direction matters.	Any time in 2027
Community and faith groups	Host donor drives. Small-dollar giving is where public schools can compete.	2027
Advocates	Ask local SGOs to publish applicants, awards, schools, and income bands each year. Track SGO reports once they're filed.	Ongoing; first reports in 2028
Everyone	Comment to Treasury. Spread the word about opportunities to donate and receive scholarships.	Dec. 1, 2026

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Q&A

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Closing

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Stay Engaged and Resources

We Need Your Feedback



Resources & Links

- Official Tennessee SGO Webpage (Tennessee Dept. of Education)
- Public Chapter 720
- Federal Scholarship Tax Credit FAQ (Stand for Children TN)
- Income Eligibility Map (Stand for Children TN)
- Deep Dive: Unpacking Treasury's Proposed Regulations for the Federal Scholarship Tax Credit (Education Counsel)
- Implementing the Federal Scholarship Tax Credit to Maximize Supports for Public School Students (Education Counsel)
- Public School Scholarship Granting Organization Toolkit (AASA)

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Thank you

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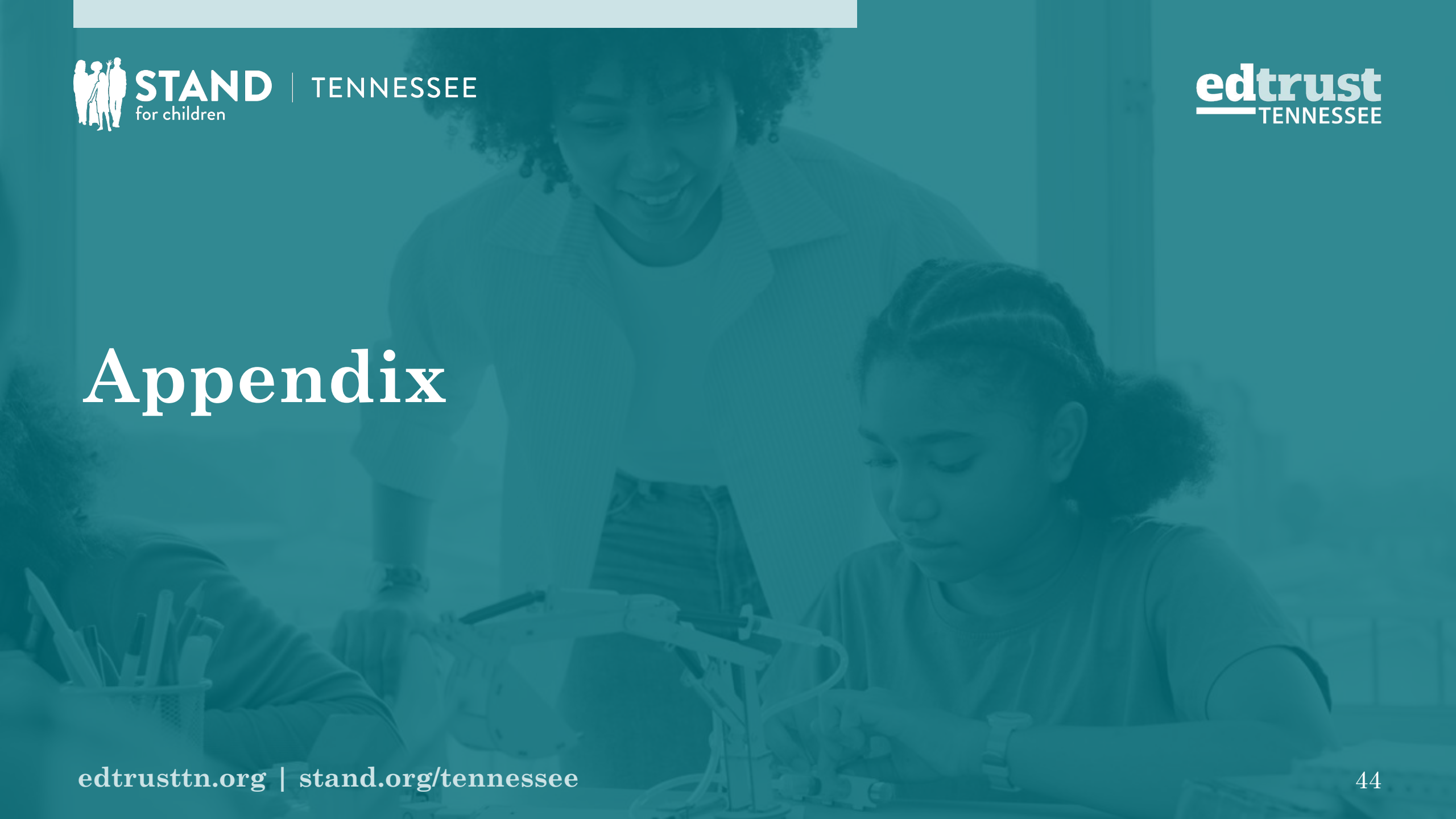
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Appendix

Considerations for Public Schools



Scholarship Granting Organization

A 501(c)3 nonprofit located in Tennessee that provides scholarships to eligible students.

SGOs must fund students not schools, but public schools can leverage different players to ensure their students benefit including:

New SGOs



SCHOOL CREATES SGO TO FUND STUDENTS FOR SPECIFIC PROGRAM

Schools/ districts cannot be SGOs so they must work to form a qualified SGO before January 1, 2027. One way schools may consider doing this is by organizing to create an affiliated 501(c)3 that implements a literacy program for example. It is important to note that SGOs must serve two or more schools.

Established SGOs



EXISTING SGO WITH NO CONNECTION TO SCHOOL

Donors can also give to any SGO. Donors will want to do their due diligence into the trustworthiness of SGOs, any voluntary accountability practices they implement (e.g., data on who participates and outcomes), and how the funds are used.

Stakeholders



SCHOOLS COMMUNICATE THE PROGRAM AND THEIR SGO

Schools could encourage their community of stakeholders and advocates to participate in the tax credit program as donors. The communication from schools and stakeholders could identify specific SGOs that best meet their needs and relay that information to their audience as a way to encourage the flow of funds to public schools.

Fair and Effective Implementation at the State Level

In addition to the required rules and regulations, **Tennessee's Governor**, **Department of Education**, and other state policy makers can potentially:

- Provide **transparency and accountability reporting** about where funds are directed and if they are effective that go beyond minimum requirements
- Set **strategic goals** and align efforts toward SGOs that meet the goals and benefit public school students
- **Identify and scale access to high-quality SGOs** implementing evidence-based practices and targeting funds to public schools with greater needs, especially for districts who may struggle to identify and connect with an SGO
- **Help donors understand** the tax credit and how it can be used to serve public school students

Fair and Effective Implementation for SGOs

In addition to the required rules and regulations, **Scholarship Granting Organizations (SGOs)** can potentially:

- Commit to **sharing funding and outcome data** that goes beyond minimum requirements
- Serve students in public schools and prioritize **funding based on student needs**
  - For example, prioritize students from low-income backgrounds or English learners
- **Provide evidence-based interventions** aligned to state and local strategies to improve student outcomes
- **Help donors understand** the tax credit and connect to high-quality SGOs serving public school students

Fair and Effective Implementation for Donors

Donors and potential donors are well-positioned to improve the tax credit program by taking these steps:

- **Advocate for stronger data reporting** on spending and outcomes, as well as guardrails around fraud
- **Donate to SGOs that support public school students** and direct resources to students with greater needs
- **Hold SGOs accountable for partnerships** with districts and service providers who are leveraging the funding to support evidence-based interventions aligned to improving student outcomes

Student, Family, & Employer Level

- Resources must be intentionally funneled towards advancing a strategic plan.
  - Data should be part of decision-making

- Families should be informed about access to resources
  - Ideally a relationship between families and schools already exists so everyone is knowledgeable about the priority areas (e.g., improving literacy, mental health affordability, etc.)

- As taxpayers, families are also potential donors!

- Employers can support withholding or other funding strategies to assist families ability to donate as desired

The Opportunity for Public Schools

More than 90% of Tennessee students attend public schools. If public education leaders, community organizations, and advocates engage early, some of these new resources could be directed toward programs that address real student needs.

- **We have an opportunity to identify high-impact supports that could initiate or scale initiatives to support student achievement, such as:**
  - K-3 High-Dosage Literacy Tutoring
  - After School Programs
  - Dual Enrollment Courses
  - Advanced Placement and Industry Credential Testing Fees
  - Devices & Home Internet

Tennessee's Current Voucher Programs

Education Freedom Scholarship (EFS) *Statewide Program*	**Education Savings Account (ESA)** *Income-Limited, Certain Communities*	**Individual Education Account (IEA)** *Program for Students with Disabilities*
35,000 vouchers awarded in 2026-27 (+ 5,000 per year) Implemented in 2025-26 Limited reporting on student outcomes	4,817 students in Davidson, Hamilton, and Shelby counties in 2025-26 Implemented in 2022-23 Newly limited reporting on student outcomes	825 students enrolled in 2025-2026 Implemented in 2016-17 No public reporting on student outcomes

Defining Key Players and Terms

U.S. Treasury Department	Tennessee Governor	Tennessee General Assembly	Donors
• Administers the tax credit • Sets regulations for the program	• Gov. Lee opted Tennessee into the program • Each Governor must opt in or out annually	• Role not defined federally • Passed Public Chapter 720 designating the TN Dept. of Education (TDOE) to administer the program	• Participate in the tax credit ($1,700 per individual) • Choose eligible organization(s) to donate to • Do not have to reside in TN to give to TN orgs

Organization and Individual Eligibility

Scholarship-Granting Organizations (SGOs)	Students
• Must be 501(c)3 nonprofit organization, cannot be private foundations • Must be located in Tennessee • 90% of the organization's funds must be used to award scholarships (minimum 10 students attending at least 2 schools)	• Enrolled in K-12 school • Family income is no more than 3 times the Area Median Gross Income

Example:
Families with incomes **under $344,400** would be eligible in Middle Tennessee (Cannon, Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, Wilson counties)

Income Data Source: National Coalition for Public Education

Allowable Expenses and Funding

- SGOs allocate the scholarships and **decide the amounts**; they are responsible for **verifying student eligibility**

- Tax credit dollars can pay for **eligible expenses** connected to K-12 school enrollment. Examples of eligible expenses include:
  - Fees
  - Technology
  - Tutoring
  - Extended day programs

- School districts and public schools **cannot be direct recipients** of SGO funds
  - Districts would have to form their own SGO or partner with one or more SGOs

Timeline

September 2026	U.S. Treasury will release implementation guidance
2027	The Federal Tax Credit implementation begins January 1; Donors can donate to SGOs during this year
2028	Tennessee's Governor will again choose to opt in or out by January 1; Donors will receive tax credits when they file their 2027 taxes

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What This Could Mean for Public Schools

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What's Next?

Key Dates and Decision Points

- **Now-Fall/Winter**: Treasury Department is formulating regulations and will release them sometime in 2026
  - Currently, September is the latest estimate
- **January 1, 2027:** Deadline for Tennessee to identify SGOs. Individuals can start donating and scholarships can be issued.
- **January 1, 2028:** Deadline for Tennessee to decide to participate (again) in the federal tax credit program and identify SGOs.

Opportunities for Advocates

- **There are different levels of potential involvement.** For example, you may be a service provider in your community who receives funding from an SGO.
- **Support and promote public school SGOs.** Advocates should pay special attention to communities that have the hardest time generating local funds and supporting students with unique learning needs.
- **Encourage the state to prioritize public schools.** While the role of the state is minimal, there are still ways to highlight public schools and support them.
- **Continue to advocate against private school voucher expansion.**
- **Educate the community.** Help donors understand the tax credit and how it can be used to serve public school students
- **Track and share data as the program unfolds.** The program requires an annual audit and some reporting. Advocates can encourage the public sharing of these pieces and elevate for the masses.
- **Engage in upcoming legislative session especially if legislation is introduced.**

Promoting Public School SGOs

- States have minimal influence to which SGOs operate in their state
- The state is required to generate a complete list of SGOS, however the regulations do not restrict highlighting a subset of that list to spotlight:
  - SGOs that serve public schools only
  - SGOs that voluntarily collect and report data on the value, quality, and effectiveness of their programs
  - SGOs that serve the highest need students using evidence-based approaches
- Encourage or incentivize voluntary actions by SGOs and donors, such as
  - highlighting public schools
  - create lawful incentives for taxpayers to donate to a selected subset of SGOs
- Create a state portal for donors to easily donate to public schools

- Keep in mind, an individual school's ability to generate funds via this program and a family's ability to apply for scholarships will not be experienced equally across the state.
- How to support higher-need communities?
  - Consider creating programs that are not reliant on charging fees?
- Educate the community on donating to public school SGOs.
- Educate families on how to apply and make it easy for them to apply.
- Continue to advocate for adequately, fairly, and equitably funded public schools via the state.