Help Your Employees Invest in Local Kids and Schools.

A new federal tax credit lets employees redirect part of what they already owe in federal taxes — up to $1,700 a year — to fund scholarships for kids in your community, through simple payroll deduction.

The Educational Choice for Children Act created the first federal scholarship tax credit (Internal Revenue Code §25F). This isn't a typical donation — employees redirect federal tax dollars they already owe, dollar-for-dollar, rather than giving away extra income. Beginning with the 2027 tax year, employees in participating states can direct up to $1,700 per year to an IRS-approved Scholarship Granting Organization through payroll deduction and claim the credit when they file.

Why Employers Are Adding This Benefit

Invest in Your Community

Give employees a direct, personal way to fund scholarships for kids and schools right where they live.

Redirects Tax Dollars, Not Take-Home Pay

Employees direct money they already owe in federal taxes toward a cause they choose — not extra income out of pocket.

A Differentiated Benefit

Offer a mission-driven, tax-advantaged perk that most employers in your market don't yet provide.

One Point of Remittance

BenefitEd owns the election and designation data, reconciles across scholarship organizations, and gives you a single point of remittance.

How It Works

1
Elect

Employees choose an annual amount, up to the $1,700 federal cap, and pick the SGO or school they want to support.

2
Deduct

The amount is withheld each pay period through your existing payroll system — no new vendor setup.

3
Consolidate

BenefitEd tracks every employee's election and SGO/school designation, then batches and reconciles contributions.

4
Remit & Claim

You send one payment to BenefitEd — not to each SGO — and employees claim the credit when they file.

NOW – DEC 2026
Confirm participation and begin implementation with BenefitEd to be ready for 2027

JAN 1, 2027
Payroll contributions begin qualifying for the federal tax credit

EARLY 2028
Employees claim the credit when filing their 2027 tax return

The window to get implemented for 2027 opens now. Contact Michael Riordan at michael.riordan@youbenefited.com to start the conversation.

The credit is nonrefundable and limited to the taxpayer's federal income tax liability for the year of contribution; excess amounts may be carried forward. Availability depends on your state's participation in the federal scholarship tax credit (IRC §25F) and is subject to final Treasury/IRS guidance. This material is for general informational purposes only and is not tax or legal advice; employees should consult a qualified tax advisor regarding their individual situation.