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memphis opportunity scholarship trust

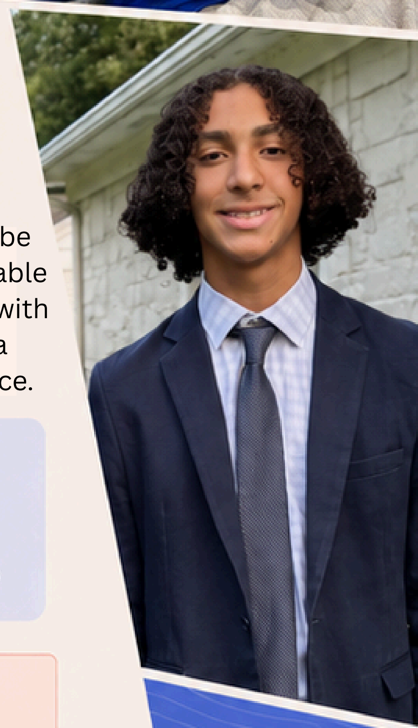
The 2027 Guide to the Federal Scholarship Tax Credit

Everything Memphis families, schools, and taxpayers need to know before January 1, 2027.

$1,700 Federal Tax Credit

What is the Federal Scholarship Tax Credit?

A way to support your school of choice at no cost to you



HOW IT WORKS: 3 SIMPLE STEPS

1. A Donor will redirect up to $1700 they owe in taxes to MOST instead of the government and select their school of choice.
2. Students will apply for the Federal Scholarship Tax Credit program, and MOST will handle all processes, eligibility reveiw, compliance, audits, and reporting.
3. FSTC scholarships will be awarded based on available funds and may be used with other aid, as long as a expense is not paid twice.

$1,700
max federal credit per taxpayer / tax year

K-12
students

30
states with 2027 advance elections

TAX CREDIT VS. TAX DEDUCTION

- A tax credit directly lowers your federal income tax bill.
- A tax deduction only lowers the amount of income that gets taxed.

EXAMPLE

If your federal income tax is $8,000 and you make a qualifying $1,700 contribution, your tax could drop to **$6,300** if you can use the full credit.

WHAT NONREFUNDABLE MEANS

It can lower your tax bill, but it does not create a negative tax bill. Unused credit generally may **carry forward for up to five years.**

WHO CAN GIVE?

- An individual U.S. citizen or resident
- Cash only
- Gift must go to an approved SGO
- The same amount cannot also be counted as a charitable deduction for the credit amount.

Who can get a scholarship?

1 The 2 basic student rules

1 K-12 only

The student must be eligible to enroll in a public K–12 school. College students are not eligible.

2 Household income at or below 300% of AMGI

The law uses Area Median Gross income, or AMI from the prior calendar year.

Already in private school?
Yes, a student can still qualify.

In public school?
Yes, support may be used for allowed K-12 expenses or services.

2 300% of AMGI

Think of AMGI as a local middle-income benchmark. The rule looks at 300% of that number.

This is not the same as poverty guidelines, free-and-reduced lunch, or MOST's usual scholarship chart.

Families must requalify every year.

3 What can the scholarship pay for?

- Tuition
- School fees
- Academic tutoring
- Special-needs services
- Books
- Supplies
- Computers and technology
- Uniforms
- Transportation when required or provided by the school
- Room and board when required or provided by the school
- Extended day
- Internet access
- Some home-school expenses if federal law allows
- Meal plans potentially when they fit the rules

The final FSTC guidelines are expected to be released by theend of September 2026.

Who decides the scholarship amount?

The donor's $1,700 credit is NOT the student's scholarship limit.

1 How scholarship awards work

1. Donor Gives
2. MOST handles all Processes
3. School Chooses award according to FSTC Guidelines
4. Scholarships are awarded

Who gets priority?

1. Returning scholarship recipients
2. Eligible siblings
3. Other eligible applicants

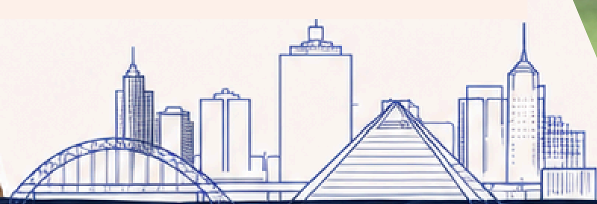
2 What is an SGO?

- A 501(c)(3) nonprofit
- Not a private foundation
- Keeps FSTC money in separate accounts
- Must be on the state's official SGO list
- Must support at least 10 students who do not all attend the same school
- Must spend at least 90% of its income on scholarships
- Cannot earmark money for one specific student
- Must verify income and family size every year

3 What MOST is preparing to do

1. Receive qualifying FSTC contributions
2. Keep separate accounting for FSTC funds
3. Verify student eligibility
4. Award scholarships and document qualified expenses
5. Handle donor acknowledgments, reporting, audit support, and compliance

Your school controls the scholarships. MOST handles the process.



What Tennessee families need to know

1 Tennessee is in

As of July 24, 2026, 30 states made 2027 advance elections.

- Alabama
- Alaska
- Arkansas
- Colorado
- Florida
- Georgia
- Idaho
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Virginia
- West Virginia
- Wyoming

i Tennessee has opted in, but the final 2027 Tennessee SGO list has not been published yet.

2 FSTC vs. TN EFS vs. TN ESA

	Federal FSTC	TN EFS	TN ESA
Funding	Private cash contributions to approved SGOs that can generate a federal tax credit	Tennessee state-funded scholarship	State/local education funds in eligible districts
Student grades	K-12	K-12	K-12
2026-27 amount	No federal cap on the student's scholarship amount	$7,530	Memphis-Shelby: $10,132.54
Income rule	At or below 300% of Area Median Gross Income	Tennessee eligibility and priority rules	Separate Tennessee ESA rules
Public school first?	No federal requirement	No prior public-school requirement stated for basic eligibility	ESA has its own eligibility rules
Academic testing	No federal FSTC testing requirement	Tennessee EFS assessment requirements apply	Tennessee ESA assessment requirements apply
Administrator	Approved SGO	Tennessee Department of Education	Tennessee Department of Education

i A student may potentially receive more than one kind of help, but the same expense should not be paid twice.

3 Student athletes + TSSAA

An athlete can receive FSTC help, but schools should still check TSSAA need-based financial-aid rules before using it for a varsity athlete.

4 Already law vs. still pending

Already law

- $1,700 max credit
- K-12 eligibility
- No public-school-first rule
- Annual income verification
- No federal cap on student scholarship amount
- Returning students get first priority

Still pending

- Final Treasury and IRS regulations
- Final Tennessee 2027 SGO list
- More detailed expense guidance
- Final school designation rules
- FSTC-specific TSSAA guidance

Commonly Asked Questions

1. **What grades are eligible?**
Kindergarten through grade 12.

2. **Can a student already in private school qualify?**
Yes.

3. **Can a public-school student receive support?**
Yes, for qualifying K-12 expenses or services.

4. **Is there a federal test or minimum GPA?**
No federal test or GPA requirement.

5. **Can it pay tuition, fees, books, supplies, tutoring, and special-needs services?**
Yes, when they fit the federal rules.

6. **Can it pay uniforms and transportation?**
Yes, when required or provided by the school.

7. **Can it pay a meal plan?**
Potentially, when it fits the federal rules.

8. **Is the student's scholarship capped at $1,700?**
No.

9. **Can a donor choose a specific child?**
No.

10. **Can FSTC be combined with EFS, ESA, or school aid?**
Potentially, but the same expense should not be paid twice.

11. **Is every eligible child guaranteed a scholarship?**
No. Awards depend on funding and rules.

The road to January 1, 2027

- **July 4, 2025:** Congress enacts Section 25F
- **April 2026:** Tennessee enacts state law
- **July 24, 2026:** IRS shows 30 participating states
- **By end of September 2026:** proposed federal regulations expected
- **By January 1, 2027:** participating states provide SGO lists
- **January 1, 2027:** qualifying contributions can begin
- **2028 filing season:** taxpayers generally claim qualifying 2027 credits on 2027 federal returns

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January 1, 2027:
A new federal tax credit.
A new source of educational opportunity.