

Tennessee SGO Readiness Checklist for K-12 Schools

Preparing for SGO scholarships under 26 U.S.C. 25F: what a scholarship granting organization does, the timeline, and steps a school can take now

Current as of October 21, 2026. Federal rules are proposed, and Tennessee's process is still being built.

KEY FACTS	
Program year	2027 is the first year of the federal program. Tennessee must submit its SGO list to the IRS by February 15, 2027. ³
Tennessee status	On the IRS list of states that have made an advance election to participate for 2027 (as of Sept. 14, 2026). ⁵
State list	Tennessee must also publish its list of SGOs on the Department of Education website. It has not been published yet. ⁶
Students	Eligible to enroll in a public K-12 school, household income up to 300 percent of area median income. ¹

What an SGO does

A scholarship granting organization is a 501(c)(3) public charity that receives contributions and awards K-12 scholarships. By statute it must keep scholarship funds in separate accounts, spend at least 90 percent of its income on scholarships, serve at least 10 students who do not all attend the same school, verify each applicant's household income and family size, and give priority to prior-year recipients and then their siblings.¹ It may not set aside contributions for any particular student, and may not award scholarships to disqualified persons.¹ Under the proposed rules, scholarships for tuition and fees are paid directly to the school, and an SGO may set tighter income or expense limits than federal law.²

Timeline

The federal program begins January 1, 2027.

- **Oct. 2, 2026.** Treasury and the IRS published proposed and temporary regulations. Comments on the proposed rules are due Dec. 1, 2026.^{2,3}
- **Oct. 7, 2026.** The Tennessee Department of Education opened a preliminary interest form for SGOs and says a formal application will be released later this fall.^{8,7}
- **Feb. 15, 2027.** Deadline for Tennessee to submit its 2027 SGO list. If it does not, no organization in the state qualifies for 2027.³
- **2027.** First program year. Each SGO sets its own scholarship application and award dates.

What Tennessee still has to publish

- The formal SGO application.⁷
- Any process and documentation rules under Tenn. Code Ann. 49-1-1303(b).⁶
- Any intake deadline for SGOs.
- The state's SGO list, which must appear on the Department's website.⁶

Federal items also pending: guidance on qualified expenses, the IRS SGO list, annual area income figures, and final regulations.^{2,8} None of these was published as of October 21, 2026.

Steps a school can take now

- 1 **Name a point person.** Assign one staff member to follow the Tennessee Department of Education SGO page and the IRS program page, and to field family questions. Tennessee's contact for SGO questions is SGO.Questions@tn.gov.^{7 5}
- 2 **Map your costs to the federal expense list.** Allowed costs follow 26 U.S.C. 530(b)(3)(A): tuition, fees, tutoring, special needs services, books, supplies, equipment, and required uniforms, transportation, extended day programs, and technology.⁴ Itemize invoices so each charge is easy to identify. Treasury's separate expense guidance had not been issued as of October 21, 2026.
- 3 **Prepare to receive scholarship payments.** Decide how your business office will receive, post, and reconcile SGO payments by student and term, and keep your school's payee and tax details ready for SGOs that request them.²
- 4 **Review your financial aid policy.** Decide how an outside SGO award combines with your own tuition assistance, and apply that rule the same way for every family.
- 5 **Help families prepare for income checks.** SGOs verify income themselves.¹ You can tell families what is commonly requested under the proposed rules: pay stubs, tax returns, or W-2s for the prior year, or a SNAP, TANF, WIC, Section 8, or SSI award letter dated within 12 months.²
- 6 **Have enrollment and residency records ready.** Under the proposed rules, a Tennessee SGO's scholarships go to students who live in Tennessee.² SGOs may ask for enrollment confirmation and invoices.
- 7 **Respect the guardrails.** Award decisions belong to the SGO. Contributions cannot be steered to a particular student.¹ Staff who serve on an SGO board or selection committee should note the disqualified person rules.^{1 2}
- 8 **Plan clear family communications.** Share neutral, accurate information, point families to the state's SGO list once it is published, and avoid promising awards or amounts.⁶

SOURCES

1. 26 U.S.C. 25F. law.cornell.edu/uscode/text/26/25F
2. Proposed regulations, 91 FR 62818 (Oct. 2, 2026). federalregister.gov/documents/2026/10/02/2026-20277/federal-scholarship-tax-credit
3. Temporary regulations, T.D. 10057, 91 FR 62655 (Oct. 2, 2026). federalregister.gov/documents/2026/10/02/2026-20264/federal-scholarship-tax-credit
4. 26 U.S.C. 530(b)(3)(A). law.cornell.edu/uscode/text/26/530
5. IRS, participating states for 2027 (as of Sept. 14, 2026). irs.gov/government-entities/federal-state-local-governments/federal-scholarship-tax-credit-fstc
6. Tennessee Public Chapter 720 (2026), Tenn. Code Ann. 49-1-1301 to 1305. publications.tnsosfiles.com/acts/114/pub/pc0720.pdf
7. Tennessee Department of Education, Scholarship Granting Organizations. tn.gov/education/about-the-tdoe/scholarship-granting-organizations.html
8. Tennessee Department of Education news release (Oct. 7, 2026). tn.gov/education/news/2026/10/7/tennessee-advances-participation-in-the-federal-education-tax-credit-program-.html

Get law and guidance updates

Optional. Short notes when the law, the rules, or Tennessee's process changes.

[Sign up for updates](#)

Prepared by Education Choice Fund, a Tennessee scholarship-granting organization in formation, started by Tennessee families. educationchoicefund.org

ECF intends to apply to the State of Tennessee as an SGO and is not yet on Tennessee's SGO list or the IRS SGO list.

This guide is general information, not tax or legal advice. Please talk with your own tax professional.