



AMERICAN FEDERATION *for* CHILDREN
GROWTH FUND

WHO CAN FUND A SCHOLARSHIP?

Updated Donor Estimates Under the New
Federal Education Freedom Tax Credit (EFTC)

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**EMBARGOED UNTIL
WEDNESDAY, SEP. 9**

**APPROXIMATELY
121.5 MILLION TAXPAYERS
ARE ELIGIBLE TO GIVE
AND RECEIVE A
DOLLAR-FOR-DOLLAR
FEDERAL TAX CREDIT UNDER
THE NEW EDUCATION
FREEDOM TAX CREDIT**

**This represents nearly three out of four of all
adults (tax units) who will file taxes in 2027**

EXECUTIVE SUMMARY

- Simulating 2027 tax returns from newly released IRS Statistics of Income data, I find that 121.5 million taxpayers, nearly three out of every four people who file federal income taxes (74.2 percent of 163.9 million projected returns), are eligible to donate to a scholarship granting organization (SGO) and claim a credit under the Education Freedom Tax Credit. A tax filer is considered eligible as long as they have federal tax liability. Donors do not need to live in a state that has opted in in order to give to SGOs in states that have.
- More than 60 percent of all filers (61.3 percent, or 100.5 million) could donate \$1,700 and receive the maximum credit under the law. Another 21.1 million owe less than \$1,700 in federal income tax and could claim a credit up to their full liability.
- The eligible donor pool is more than double the 47 million estimated by Education Reform Now, whose widely cited projections count only filers with incomes above \$85,000. Two-thirds (66.5%) of filers below that level who owe federal income tax will owe at least \$1,700 in 2027.
- If just 10 percent of eligible donors participate, the EFTC would raise \$18.8 billion a year for K-12 scholarships, representing a significant increase of roughly 24 percent in federally incentivized, private support for education from baseline numbers on direct federal support for K-12 education. At 20 percent participation, the \$37.6 billion raised would exceed federal spending on Title I and IDEA (special education) combined.
- The 31 states that have opted in or signaled their intent to opt in as of September 2026 are home to 68.3 million eligible donors with \$104.9 billion in total giving capacity (56 percent of the national total). The 20 jurisdictions that have not yet opted in hold 53.2 million eligible donors and \$83.0 billion in giving capacity, but their 20.8 million scholarship-eligible children cannot receive an EFTC scholarship unless their state opts in. Donors in those states can still give and claim the credit by donating to an SGO in a participating state.
- Making a donation of \$65 to an SGO every two weeks will total the maximum credit of \$1,700 over the course of a year. Donors need not front the cash for this and wait for tax filing season the following year. Under existing withholding rules, any donor can reduce federal withholding from their bi-weekly paycheck using Form W-4 and make regular donations in the same amount. This simple administrative change can unlock \$65 more per paycheck and make giving much more possible for middle income donors, many of whom have school age children.

- A payroll on-ramp, modeled on Arizona's state level tax credit scholarship program that also supports public and private school education expenses, could make giving nearly frictionless. Since 2010, Arizona has allowed an employee to ask their employer to reduce state income tax withholding by the amount of a scholarship or other individual tax credit the employee expects to claim, with the employer sending that amount each quarter directly to the organization the employee designates. Through a one-time payroll election, the employee would designate an SGO and the employer would remit the donations in bulk while reducing employee federal withholding by the same amount. In this arrangement, employee take-home pay would never change. At large companies, approximately 20 percent of employees already participate in matching-gift programs that, unlike the EFTC, cost the employee money. If employers and payroll processors enable this path, it could double or triple donor participation in the EFTC.
- Treasury has not yet ruled on whether married couples filing jointly may claim \$3,400 per return. If it did, national giving capacity would rise by an additional \$75.1 billion.
- If every eligible donor participated (100% participation) and gave the maximum the credit allows (\$1,700 or their full federal income tax liability, whichever is less), giving capacity would total \$187.9 billion a year. Under the more conservative affordability assumption included as a robustness check in this brief, which caps each gift at 2 percent of the donor's annual income, total giving capacity is \$160.0 billion. Both figures are upper bounds on the theoretical upper limit of available tax credits and are not projections.

INTRODUCTION

Beginning with the 2027 tax year, the new federal Education Freedom Tax Credit (EFTC) allows individual taxpayers in every state to claim a dollar-for-dollar federal tax credit of up to \$1,700 per tax return for donations to scholarship granting organizations (SGOs), who then grant scholarships of various amounts to students in accordance with SGO policies and student need. The credit, established as §25F of the Internal Revenue Code and signed into law in the Working Families Tax Cuts, is the first federal tax credit to fund scholarships for K-12 educational expenses. Building on earlier donor estimates from Education Reform Now (ERN)¹ and the America First Policy Institute (AFPI)² in addition to recent work on [EFTC student eligibility from the American Federation for Children \(AFC\)](#), this brief presents the first estimates of the full universe of eligible donors for the EFTC using the newest available IRS tax data.

I find that 121.5 million tax filers, nearly three in four (74.2 percent), will be eligible to claim a credit for donations to SGOs under the EFTC in tax year 2027. More than 60 percent of all tax filers (61.3 percent) could donate and receive the full \$1,700 credit, and the remainder could donate and receive a smaller credit up to their federal income tax liability. Using Statistics of Income data on 2023 tax filers the IRS released in August 2026 and the Census Bureau's American Community Survey, I simulate each filer's actual 2027 tax liability across the full income distribution. Using this method, I estimate that the universe of eligible donors under the EFTC is significantly larger than previously estimated. If every eligible donor gave the maximum the credit allows, giving would reach a theoretical upper bound of \$160 billion under conservative assumptions and \$187.9 billion if no assumptions are made about a donor's ability to give up to their full liability. These figures are theoretical upper bounds at 100% participation and illustrate the potential scale of the tax credits made available under this new policy.

EFTC ELIGIBLE DONORS & GIVING CAPACITY FOR TAX YEAR 2027, NATIONWIDE

DONOR POOL & CAPACITY

Eligible donor pool (owe federal income tax)	121.5 million
Total giving capacity (each donor gives \$1,700 or their full federal income tax liability, whichever is less)	\$187.9 billion

FULL VS. PARTIAL-CREDIT DONOR SPLIT

Full-credit donors (tax liability of \$1,700 or more; avg. credit \$1,700)	100.5M donors • \$170.8B
Partial-credit donors (tax liability under \$1,700; avg. credit \$815)	21.1M donors • \$17.1B

ELIGIBLE DONOR PARTICIPATION SCENARIOS

If 5% of eligible donors participate	\$9.4 billion
If 10% of eligible donors participate	\$18.8 billion
If 20% of eligible donors participate	\$37.6 billion

All figures are tax year 2027 nominal dollars. Gift = the smaller of \$1,700 and the filer's current-year federal income tax liability, summed over every filer who owes federal income tax; these projections assume tax filers will not give more than their federal income tax liability in the given tax year. Full-credit donors are 83% of the pool and hold 91% of the dollars. The 5% / 10% / 20% participation rates are illustrative assumptions, not predictions.

For example, if EFTC participation were to scale to 10 percent of eligible donors over time, this would newly generate \$18.8 billion a year for K-12 education across the country. For context, ongoing federal support for K-12 education currently sits at around \$80 billion a year, constituting about 8 to 9 percent of total school revenues.³ An additional \$18.8 billion a year represents a significant increase of roughly 24 percent in federally incentivized, private support for education from baseline numbers. If EFTC participation were to scale to 20 percent of eligible donors, that \$37.6 billion would exceed how much is currently spent on Title I and IDEA (special education) combined. Given that prominent scholarship organizations are already pledging to grant scholarships to low-income students and students with special learning needs, the EFTC may become one of the largest funding sources for disadvantaged K-12 students in the country's history.

HOW THE EFTC WORKS FOR STUDENTS AND DONORS

One key statutory feature of the EFTC is that donor eligibility does not depend on the state in which the donor lives. As outlined in AFC's prior report on student eligibility, the law requires that each state must opt in before SGOs can grant scholarships to students in their states. As of September 2026, 31 states have opted in or signaled their intent to opt in for the first year of the EFTC, which begins January 1, 2027.⁴

Once states have opted in, donors may then give to local SGOs, who in turn grant scholarships of various amounts for educational expenses like tutoring, tuition, special education services, or even transportation costs to students attending K-12 public schools, charter schools, private schools, and, in some states, homeschools.⁵ Students living in states that have not yet opted in cannot receive scholarships supported by the EFTC, and SGOs in those states may not raise funds under this new federal tax benefit. Donors from any state, however, may give to SGOs located in states that have opted in to the EFTC. This means that a potential donor with \$1,700 of federal tax liability who lives in California (not yet opted in) may donate to an SGO in Indiana (which has opted in) that has partnered with the school their grandchild attends. The law prohibits student recipient designation (i.e., they cannot earmark their donation directly for their grandchild), but they may designate the particular school at which the funds are used to fund scholarships of varying sizes as determined by SGO policy and corresponding student need. In exchange for their EFTC qualified contribution, that donor receives a dollar-for-dollar federal tax credit on their 2027 taxes.

CLAIMING A FEDERAL TAX CREDIT UNDER THE EFTC

1

Donor makes a gift to an SGO in a state that has opted in to the EFTC.

Donors themselves may live in any state. Opting in determines where SGOs may accept tax-credit-eligible donations and where scholarships are granted, not who may give. The gift must be a cash contribution, and the SGO must appear on the list its state submits annually under §25F.

2

Donor owes federal income tax in the year of their donation.

Tax credits under the EFTC are nonrefundable, and so only filers with sufficient federal tax liability can claim the full credit to offset up to \$1,700 in tax payments. All 121.5 million filers with federal tax liability are potential EFTC donors.

3

Donor receives the full amount back as a federal tax credit.

Unlike a charitable contribution to a non-profit organization for which taxpayers may receive a federal tax deduction, a tax credit lowers the donor's tax bill by the full donation amount (up to \$1,700). For example, a donor may deduct a gift of \$1,000 to a 501(c)(3) non-profit for maximum tax savings of \$220.¹ That same donation to an SGO made as a qualified contribution under the EFTC would instead receive a full \$1,000 credit against the donor's federal tax liability, reducing their tax bill by that same amount.

4

Donated dollars fund K-12 scholarships.

SGOs must use at least 90% of their income from donations to fund scholarships for K-12 students in their state. Scholarships can cover educational expenses in connection with the student's attendance at a K-12 school. Scholarship size will vary across SGOs and by student need. For example, a student could receive a \$500 scholarship for one semester of tutoring or a larger \$5,000 scholarship for a year of private school tuition. Students must also meet income eligibility requirements. Nationally, 92% of students are eligible for EFTC-funded scholarships.

¹ Assumes a donor in the 22 percent marginal bracket. Beginning in tax year 2026, deduction savings vary further: non-itemizers may deduct cash gifts of up to \$1,000 (\$2,000 for joint filers), itemizers deduct only giving above 0.5% of adjusted gross income, and top-bracket taxpayers' deductions are capped at 35 cents per dollar. A contribution claimed for the EFTC may not also be deducted as a charitable contribution (§25F(e)).

DONOR PARTICIPATION SCENARIOS

The share of eligible donors who will participate and give donations for scholarships is the single largest unknown factor. We know from state tax credit scholarship programs that participation ranges from 1-3 percent of taxpayers, with participation rates approaching 3 percent in mature programs.⁶ Given the uncertainty around participation rates, this brief provides a range of funding estimates that vary with the participation rate. In each scenario, every participating donor gives the maximum the credit allows: the full \$1,700 for full-credit donors, or their entire federal income tax liability for partial-credit donors who owe less than \$1,700. These projections assume tax filers will not give more than their federal income tax liability in the given tax year.

In the EFTC giving scenarios laid out in the table below, I show how the participation rate assumption (from 2 to 30 percent) changes the total funding raised: the total donor capacity estimate is multiplied by a given participation rate to produce the projection for the amount raised under the EFTC. For some donors, particularly those of more modest means, providing a gift up front can pose a cash-flow challenge even though the tax credit makes them whole the following spring. Rather than assume that those will donors give less, I outline a W-4 giving path as described near the end of this brief, which allows donors to fund their gifts through reduced paycheck withholding across the tax year. I also test how sensitive the donor capacity estimates are to a more conservative assumption about a donor's ability to give with an affordability assumption that caps each gift at a share of the donor's income (see the affordability check robustness section). For further detail on the data and methods used to create the estimates in this brief, please see the Technical Appendix.

EFTC POTENTIAL RAISE UNDER VARYING ASSUMPTIONS AND SCENARIOS

A. AMOUNT RAISED BY PARTICIPATION RATE

PARTICIPATION	AMOUNT RAISED
2% participate	\$3.8B
5% participate	\$9.4B
10% participate	\$18.8B
20% participate	\$37.6B
30% participate	\$56.4B

B. ILLUSTRATIVE SCENARIOS WITH DIFFERENTIAL PARTICIPATION

Participation can differ between the 100.5 million full-credit donors (tax bill of \$1,700 or more) and the 21.1 million partial-credit donors (tax bill under \$1,700)

Launch

2% of full-credit donors · 0.5% of partial-credit donors

\$3.5B

Growth

5% of full-credit donors · 1% of partial-credit donors

\$8.7B

Maturing

8% of full-credit donors · 3% of partial-credit donors

\$14.2B

Scale

20% of full-credit donors · 20% of partial-credit donors

\$37.6B

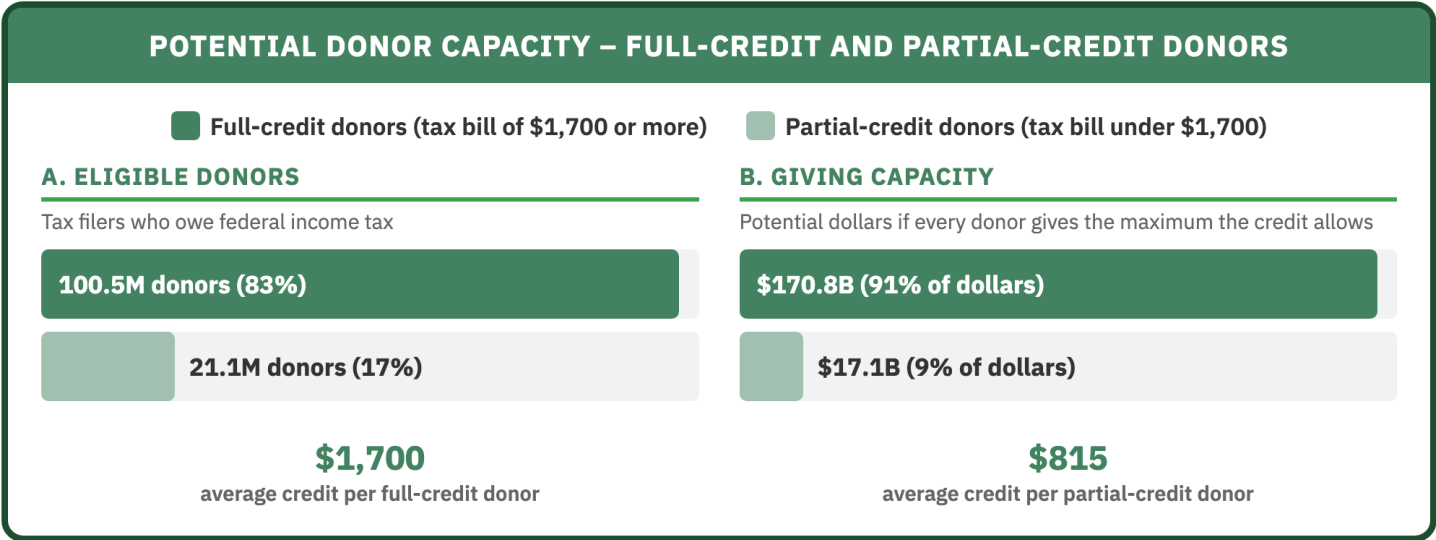
Panel A shows the amount raised if the given share of the 121.5 million eligible donors participates. Panel B matches the presets in the EFTC Donor Capacity Calculator and lets participation differ between full-credit donors (simulated tax year 2027 federal income tax liability of at least \$1,700, who can absorb the whole credit) and partial-credit donors (who owe less than \$1,700 and give up to their tax bill); the two groups' full capacity is \$170.8B and \$17.1B respectively. Potential raise, not a revenue forecast; participation rates are illustrative assumptions. Each dollar figure multiplies total giving capacity by the participation rate (in Panel B, separately for full-credit and partial-credit donors, then summed), and each donor's gift is the smaller of two amounts: the \$1,700 credit cap or the donor's federal income tax bill; these projections assume tax filers will not give more than their federal income tax liability in the given tax year. All figures are tax year 2027 nominal dollars.

There is good reason to believe, however, that taxpayer participation in the EFTC over time will exceed 2-3 percent given that many factors present for state-level tax credit scholarships which depress giving are not part of the EFTC design. For example, state tax credit scholarship programs have aggregate funding caps that usually reach full subscription, often due to high donor demand and the ability for corporations to donate and receive a credit as well (which is not allowed for the EFTC). This limits the number of participating donors as donor demand exceeds credit supply. In contrast, the EFTC is uncapped, meaning that there is no upper limit on the number of tax credits that can be claimed other than donor eligibility and willingness to participate.

In addition, a federal credit reaches every filer in every state, which greatly increases donor awareness of the credit over time. Mere awareness of tax credit programs is perhaps the biggest challenge of the few state level tax credit programs that fail to reach their cap (in addition to limitations on the types of taxes eligible for the state credits).

The EFTC is also a tax credit that can fund scholarships for both public and private K-12 students, which greatly extends the population of beneficiaries for whom donors will be motivated to give, whereas many state tax credit scholarships are targeted for low-income or underserved students who require financial assistance to pay for private school tuition.

Finally, the typical taxpayer has much more federal tax liability than state tax liability. For tax year 2027, I estimate that over 100 million taxpayers will have at least \$1,700 in federal income tax liability. That is 61.3 percent of the full tax filer population, which I estimate to be 163.9 million returns, and 83 percent of the 121.5 million filers who owe any federal income tax at all.



Importantly, capping contributions at 2 percent for this analysis does not imply any legal or other formal giving limit; some of these donors may give beyond 2 percent of their annual income. Rather, this is a cash-flow assumption about a donor's ability and willingness to make a donation of their full tax liability versus a donation more in line with their ability to give. The W-4 giving route described near the end of this report offers donors a way to avoid this cash-flow problem altogether.

Under this more conservative specification, each donor's maximum gift becomes the smallest of three limits: the \$1,700 credit cap, 2 percent of the filer's income, and the filer's federal income tax liability. Total giving capacity falls from \$187.9 billion to \$160.0 billion and varying the affordability cap between 1 and 3 percent of income bounds capacity between \$115.1 billion and \$178.2 billion. An income of \$85,000 a year marks the point at which the 2 percent cap stops binding (2 percent of \$85,000 is \$1,700). Under this specification, donors below \$85,000 could have \$1,700 in tax liability but instead give a lesser amount that, on average, corresponds to a value closer to 2 percent of their annual income.

EFTC RAISE UNDER THE AFFORDABILITY CHECK			
PARTICIPATION	DONORS GIVE 1% OF INCOME	DONORS GIVE 2% OF INCOME	DONORS GIVE 3% OF INCOME
2% participate	\$2.3B	\$3.2B	\$3.6B
5% participate	\$5.8B	\$8.0B	\$8.9B
10% participate	\$11.5B	\$16.0B	\$17.8B
20% participate	\$23.0B	\$32.0B	\$35.6B
30% participate	\$34.5B	\$48.0B	\$53.5B

Robustness check: each cell shows the amount raised if the given share of the 121.5 million eligible donors participates, with each donor's gift the smallest of three amounts: the \$1,700 credit cap, the given share of the donor's income, or the donor's federal income tax bill; these projections assume tax filers will not give more than their federal income tax liability in the given tax year. Total capacity at 100% participation is \$115.1B / \$160.0B / \$178.2B at 1% / 2% / 3% of income. The 2% column (highlighted) is the affordability check's central assumption. All figures are tax year 2027 nominal dollars.

The table above repeats the participation scenarios under the affordability check, varying the affordability assumption from 1 to 3 percent of income and the participation rate from 2 to 30 percent. Even under these varying assumptions, the total capacity estimate remains a theoretical upper bound if 100 percent of eligible donors were to participate. What will matter most for the number of credits claimed through the EFTC is donor participation.

METHODS

The estimates in this brief rest on two key assumptions to produce the estimates of eligible donors and corresponding estimates of giving across participation rates.

First, I identify a tax filer as an eligible donor if they owe any federal income taxes and assume that they will not give more than that liability in the given tax year. EFTC credits are nonrefundable, so the credit cannot reduce a donor's tax bill past zero and create a refund. However, a donor who gives \$1,700 but owes only \$1,400 of federal income tax would still receive a \$1,400 credit that year, and the remaining \$300 is carried forward for a credit in a future year (the law allows for a five-year carry-forward). My estimates conservatively count only current-year liability and exclude any potential carryforward. Second, these estimates assume the credit is limited to \$1,700 per tax return regardless of filing status. Statute sets a \$1,700 cap and contains no provision doubling it for married couples filing jointly. Treasury's guidance materials to date describe the credit only as "up to \$1,700." Pending proposed regulations expected by the end of September 2026, I conservatively assume that married couples filing jointly cannot claim \$3,400.⁸ **If future guidance or legislation instead allowed \$3,400 per joint return, the national donor capacity would increase by \$75.1 billion.**

The affordability check presented earlier tightens these assumptions by additionally capping each gift at 2 percent of the donor's income. The headline estimates in this brief do not impose that cap. The main findings are an estimate of the total addressable market, a theoretical upper bound on the credits available if 100 percent of eligible donors gave the full \$1,700 or their full federal income tax liability, whichever is less.

To produce these estimates, I combine information from three federal data sources. The Internal Revenue Service's Statistics of Income (IRS SOI) division publishes the official count of tax returns filed in each state by income level. I anchor this analysis to the IRS SOI Historic Table 2 for tax year 2023, which was recently published in August 2026 and is the most recent available. I then layer on population estimates drawn from the Census Bureau's 2023 American Community Survey (ACS) to supply detailed household records. These are assembled into about 1.7 million representative tax units, which show how income, family structure, and tax liability vary within each state and income group. Because the EFTC goes into effect for the first time for tax year 2027, I then project both income and the tax filer population forward to 2027. I assume that incomes will grow about 18 percent from 2023 to 2027, following the Social Security Administration's Average Wage Index (SSA AWI), and that the number of filers will grow about 3 percent, from 159.0 million to 163.9 million, by applying the growth rate from the IRS's own projections of future return filings (IRS Publication 6187).

For each of the 1.7 million representative tax units, I then simulate their 2027 federal income tax return under current law, including the standard deduction, tax brackets, and other available tax credits. The ACS survey weights are adjusted so that the simulated filer counts in every state and income group exactly match the projected IRS totals, which keeps the estimates anchored to official filing data rather than to how ACS respondents self-reported on the survey. I count a tax filer as an eligible donor if the simulated return shows any federal income tax owed after the standard deduction and other credits are applied. This description fits 121.5 million filers, 74.2 percent of the 163.9 million returns I project for tax year 2027. Applying the two key assumptions above to each donor and summing the result produces the \$187.9 billion national donor capacity estimate.

STATE-BY-STATE DONOR PARTICIPATION SCENARIOS

In the table below, each of the 50 states and the District of Columbia are listed. For each jurisdiction, I have listed the number of eligible donors and the total giving capacity if 100 percent of eligible donors give. I then list how much money could be raised under the EFTC by state if 5%, 10%, or 20% of eligible donors participate. The table also includes a green check mark next to the 31 states that have already opted in or have signaled their intent to opt in as of August 2026. These opted-in states are home to 68.3 million eligible donors with \$104.9 billion of giving capacity (about 56 percent of the national total) and 30.9 million scholarship-eligible children, roughly 60 percent of the 51.7 million children eligible nationwide.

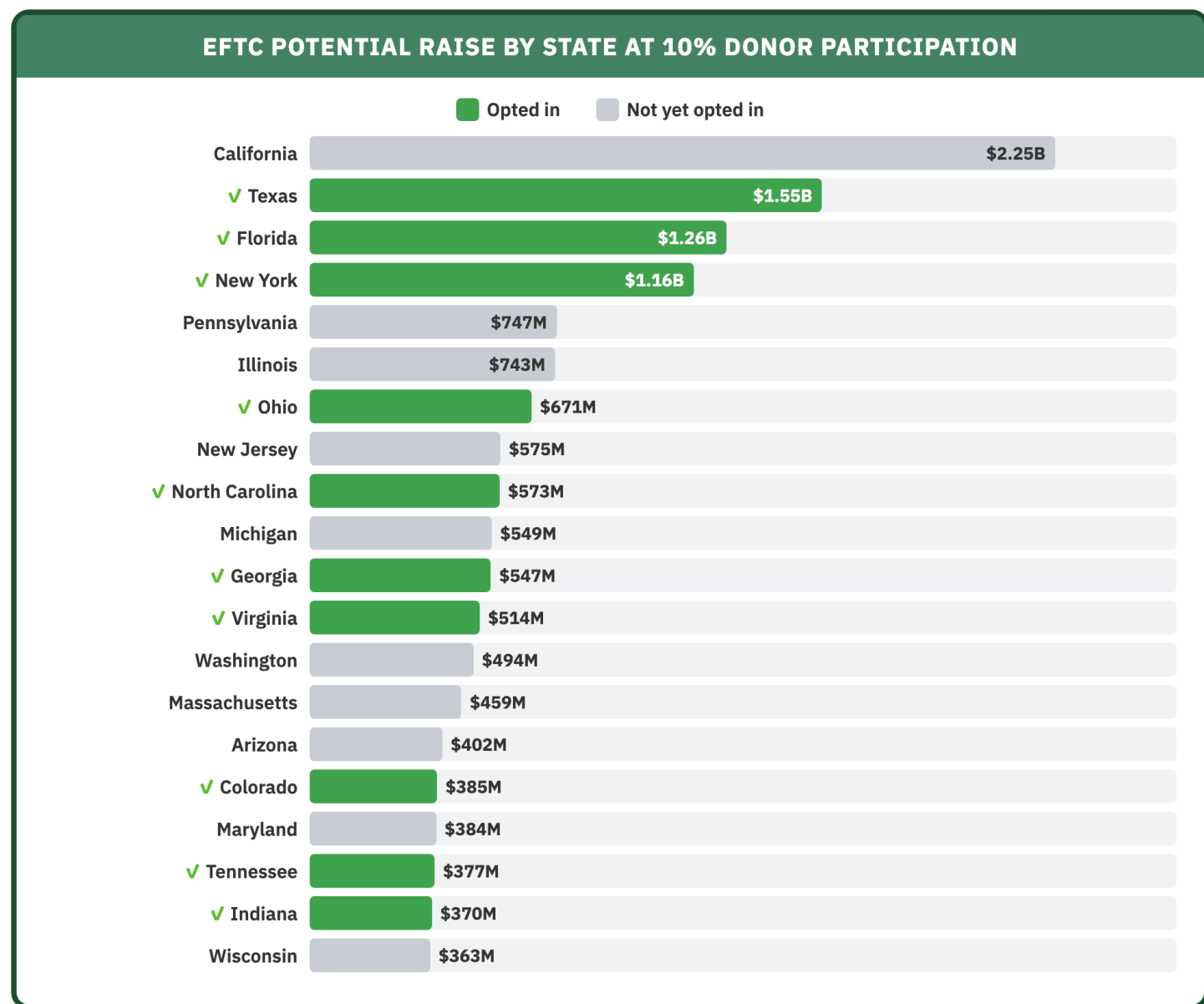
STATE	✓ OPT-IN	ELIGIBLE DONORS	TOTAL GIVING CAPACITY (100%)	5% PARTICIPATION	10% PARTICIPATION	20% PARTICIPATION
Alabama	✓	1,579,000	\$2.4B	\$119.2M	\$238.4M	\$476.8M
Alaska	✓	273,800	\$432.3M	\$21.6M	\$43.2M	\$86.5M
Arizona		2,607,300	\$4.0B	\$200.9M	\$401.8M	\$803.7M
Arkansas	✓	928,000	\$1.4B	\$69.8M	\$139.7M	\$279.4M
California		14,503,400	\$22.5B	\$1.1B	\$2.3B	\$4.5B
Colorado	✓	2,440,200	\$3.8B	\$192.5M	\$385.0M	\$769.9M
Connecticut		1,440,000	\$2.3B	\$113.3M	\$226.5M	\$453.0M
Delaware		392,200	\$614.9M	\$30.7M	\$61.5M	\$123.0M
Dist. of Columbia		296,200	\$477.2M	\$23.9M	\$47.7M	\$95.4M
Florida	✓	8,303,500	\$12.6B	\$630.8M	\$1.3B	\$2.5B
Georgia	✓	3,597,000	\$5.5B	\$273.5M	\$546.9M	\$1.1B
Hawaii		538,700	\$844.5M	\$42.2M	\$84.5M	\$168.9M
Idaho	✓	663,600	\$1.0B	\$51.0M	\$102.0M	\$204.0M
Illinois		4,771,200	\$7.4B	\$371.3M	\$742.6M	\$1.5B
Indiana	✓	2,403,800	\$3.7B	\$185.2M	\$370.5M	\$741.0M
Iowa	✓	1,167,200	\$1.8B	\$91.2M	\$182.4M	\$364.8M
Kansas	✓	1,037,000	\$1.6B	\$80.2M	\$160.3M	\$320.7M
Kentucky	✓	1,423,600	\$2.2B	\$109.0M	\$218.0M	\$436.1M
Louisiana	✓	1,378,300	\$2.1B	\$102.8M	\$205.6M	\$411.2M
Maine		547,900	\$848.4M	\$42.4M	\$84.8M	\$169.7M
Maryland		2,442,500	\$3.8B	\$191.8M	\$383.5M	\$767.0M
Massachusetts		2,893,200	\$4.6B	\$229.5M	\$459.1M	\$918.2M
Michigan		3,576,200	\$5.5B	\$274.7M	\$549.4M	\$1.1B
Minnesota		2,295,500	\$3.6B	\$180.3M	\$360.6M	\$721.1M
Mississippi	✓	857,000	\$1.3B	\$63.5M	\$127.1M	\$254.2M
Missouri	✓	2,150,000	\$3.3B	\$165.3M	\$330.5M	\$661.1M

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STATE	✓ OPT-IN	ELIGIBLE DONORS	TOTAL GIVING CAPACITY (100%)	5% PARTICIPATION	10% PARTICIPATION	20% PARTICIPATION
Montana	✓	417,500	\$642.9M	\$32.1M	\$64.3M	\$128.6M
Nebraska	✓	730,100	\$1.1B	\$56.9M	\$113.8M	\$227.6M
Nevada	✓	1,224,300	\$1.9B	\$94.2M	\$188.4M	\$376.9M
New Hampshire	✓	601,800	\$960.5M	\$48.0M	\$96.0M	\$192.1M
New Jersey		3,668,600	\$5.8B	\$287.7M	\$575.4M	\$1.2B
New Mexico		698,700	\$1.1B	\$52.8M	\$105.5M	\$211.0M
New York	✓	7,461,000	\$11.6B	\$580.0M	\$1.2B	\$2.3B
North Carolina	✓	3,727,900	\$5.7B	\$286.5M	\$573.0M	\$1.1B
North Dakota	✓	301,600	\$474.3M	\$23.7M	\$47.4M	\$94.9M
Ohio	✓	4,338,700	\$6.7B	\$335.3M	\$670.7M	\$1.3B
Oklahoma	✓	1,240,600	\$1.9B	\$94.3M	\$188.6M	\$377.2M
Oregon		1,619,700	\$2.5B	\$126.5M	\$252.9M	\$505.9M
Pennsylvania		4,782,200	\$7.5B	\$373.4M	\$746.8M	\$1.5B
Rhode Island		443,500	\$695.9M	\$34.8M	\$69.6M	\$139.2M
South Carolina	✓	1,841,400	\$2.8B	\$140.0M	\$280.0M	\$560.0M
South Dakota	✓	344,500	\$539.2M	\$27.0M	\$53.9M	\$107.8M
Tennessee	✓	2,454,300	\$3.8B	\$188.5M	\$377.1M	\$754.1M
Texas	✓	10,164,900	\$15.5B	\$774.1M	\$1.5B	\$3.1B
Utah	✓	1,199,600	\$1.9B	\$92.8M	\$185.6M	\$371.2M
Vermont		258,900	\$402.6M	\$20.1M	\$40.3M	\$80.5M
Virginia	✓	3,286,800	\$5.1B	\$257.0M	\$514.0M	\$1.0B
Washington		3,115,600	\$4.9B	\$247.1M	\$494.2M	\$988.3M
West Virginia	✓	560,200	\$847.0M	\$42.4M	\$84.7M	\$169.4M
Wisconsin		2,313,300	\$3.6B	\$181.5M	\$363.0M	\$726.1M
Wyoming	✓	214,000	\$333.5M	\$16.7M	\$33.4M	\$66.7M
UNITED STATES		121,516,100	\$187.9B	\$9.4B	\$18.8B	\$37.6B

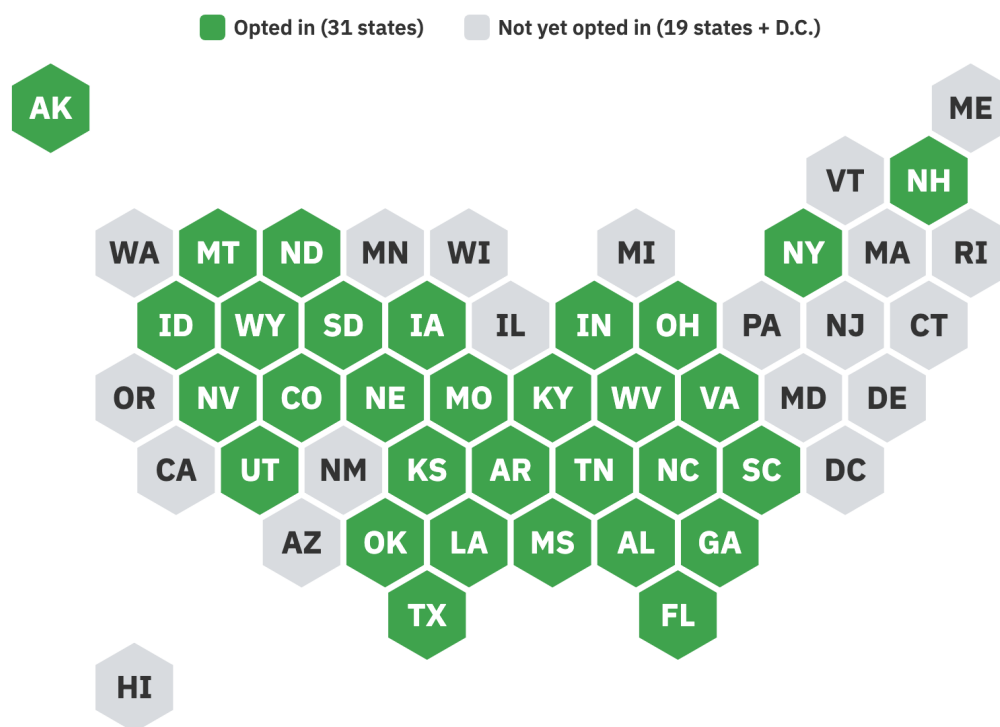
✓ = state has signaled intent to or has opted in as of August 2026. Opting in governs where scholarships are funded; taxpayers in every state may donate to a participating state's SGO and claim the credit. Eligible donors = tax filers with a positive federal income tax liability. Total giving capacity = the amount raised if 100% of eligible donors give, each giving the smaller of the \$1,700 credit cap and their federal income tax bill. These projections assume tax filers will not give more than their federal income tax liability in the given tax year. Participation = the share of eligible donors who give; each participation column shows capacity × that rate. The 5% / 10% / 20% rates are illustrative assumptions, not predictions. All figures are tax year 2027 nominal dollars; "\$B" = billions; "\$M" = millions. State rows sum to the national total before rounding.

The remaining 20 jurisdictions, including the District of Columbia, hold the remaining \$83.0 billion of giving capacity and 20.8 million scholarship-eligible K-12 students, who are only able to receive a scholarship if their state opts in in the coming months. About two-thirds of donor dollars and eligible students in not-yet-participating states are concentrated in California, Illinois, Pennsylvania, New Jersey, Michigan, and Washington.



✓ / green = state has signaled intent to or has opted in as of August 2026. The 20 largest states by giving capacity are shown (76% of national capacity); each bar is the amount raised if 10% of the state's eligible donors give, each giving the smaller of the \$1,700 credit cap and their federal income tax bill. These projections assume tax filers will not give more than their federal income tax liability in the given tax year. The 10% rate is an illustrative assumption, not a prediction. Capacity is grouped by the donors' state of residence; taxpayers in every state may donate to a participating state's SGO and claim the credit. All figures are tax year 2027 nominal dollars.

EFTC GIVING CAPACITY: OPTED-IN VS. NOT-YET-OPTED-IN STATES



GROUP	ELIGIBLE DONORS	CAPACITY (100%)	5% PARTICIP.	10% PARTICIP.	20% PARTICIP.	30% PARTICIP.
✓ Opted in (31 states)	68.3M	\$104.9B	\$5.2B	\$10.5B	\$21.0B	\$31.5B
Not yet opted in (19 states + D.C.)	53.2M	\$83.0B	\$4.2B	\$8.3B	\$16.6B	\$24.9B
United States	121.5M	\$187.9B	\$9.4B	\$18.8B	\$37.6B	\$56.4B

✓ / green = state has signaled intent to or has opted in as of August 2026. Capacity is grouped by the donors' state of residence: the 31 participating states hold 56% of national giving capacity. Opting in governs where scholarships are funded, not who may give; taxpayers in every state may donate to a participating state's SGO and claim the credit, so capacity in not-yet-opted-in states remains claimable and would flow to SGOs in participating states. Each participation column shows the amount raised if that share of the group's eligible donors gives, each giving the smaller of the \$1,700 credit cap and their federal income tax bill. These projections assume tax filers will not give more than their federal income tax liability in the given tax year. The 5% / 10% / 20% / 30% rates are illustrative assumptions, not predictions. All figures are tax year 2027 nominal dollars. Group rows sum to the national total before rounding.

The stakes of opting in differ between donors and students who are eligible to benefit. Donor capacity in non-participating states is not necessarily forgone, as any taxpayer in any state may give to an SGO in a participating state and claim the credit. Those dollars will simply leave the state and fund student scholarships elsewhere for those donors who chose to participate. Students, however, will be excluded if their state fails to opt in. EFTC scholarships are possible only within states that have opted in. That means the 20.8 million eligible children in non-participating states, or two of every five eligible children in the country, cannot receive an EFTC scholarship unless their state opts in. For governors and other state representatives weighing EFTC participation, this asymmetry will put significant pressure on their decision to participate..

These dollars will leave the state regardless, as they travel either to the U.S. Treasury in the form of federal taxes, or to benefit EFTC scholarship recipients in other states.

HOW THESE ESTIMATES DIFFER FROM PRIOR ESTIMATES

The most widely cited donor estimates to date come from Education Reform Now. ERN used 2022 IRS SOI data and inferred donor eligibility by only including potential donors above an \$85,000 income level cut point. Tax filers with incomes above this level reliably have at least \$1,700 in federal tax liability and could redirect an amount equal to the maximum EFTC credit to SGOs. This method is intentionally conservative but has the effect of dropping many filers below \$85,000 that have at least \$1,700 in federal tax liability. In fact, after adjusting income to the 2027 tax year, I estimate that – of tax filers with at least some federal tax liability after accounting for the standard deduction and other tax credits – 40.7 million or 66.5 percent of sub-\$85,000 tax filers owe at least \$1,700. Adding this group back in, in addition to the inclusion of partial-credit donors, substantially increases the universe of potential donors under the EFTC. In total, these refinements more than double the eligible donor pool, from 47 million in 2022 to 121.5 million taxpayers in 2027.

AFPI's donation projection takes a similar approach, but instead imposes a \$75,000 income level cut point, which matches the bins published on the 2022 IRS SOI data. They additionally include an option for couples who are Married Filing Jointly to give up to \$3,400, which is an assumption I have not included in my estimates. Their methods and corresponding calculator improve upon the ERN estimates but also do not include potential donors below the cut point and do not adjust incomes to tax year 2027 when taxpayers can claim credits under the EFTC for the first time.

In contrast to these approaches, I use the newest IRS SOI data from 2023 to simulate each tax filer's return across every tax bracket, project both incomes and the filer population forward to tax year 2027, and count every filer with federal tax liability as a potential donor, whatever their income. To avoid overstating what this larger pool could give, I cap each donor's maximum gift at the smaller of two limits: the \$1,700 credit cap and the filer's own federal income tax liability for that year, so no gift exceeds the tax a filer actually owes. Under these constraints, the eligible pool could redirect up to \$187.9 billion to SGOs in the EFTC's first year as compared to ERN's \$80.4 billion (2022 dollars). My estimate exceeds AFPI's implied 100 percent donor participation capacity of \$152 billion (2022 dollars), though that estimate is pushed higher by doubling the credit to \$3,400 for 35.8 million joint filers rather than including eligible donors below their \$75,000 income level cut point.

Readers may also have seen another estimate attached to the EFTC by the Joint Committee on Taxation (JCT), which scored the enacted credit at roughly \$26 billion in reduced federal revenue from FY2025 through FY2034. Spread across those ten years, JCT's estimate implies a total raised of \$3.6 billion per year. It is important to note that JCT's budget score and the donor capacity estimates in this brief measure different things. JCT projects the revenue the Treasury expects to forgo given its assumptions about how many donors and states will actually take up the credit; I estimate the maximum annual capacity of the eligible donor pool and then outline various participation scenarios from which readers can make their own judgements on actual donor participation. Because there is no aggregate cap on tax credits available under the EFTC, there is nothing in the law to prevent utilization from running above JCT's expectation.

KEY MECHANISMS FOR ENABLING DONATIONS AT SCALE – W4 WITHHOLDING AND A PAYROLL ON-RAMP

One of the largest obstacles to donor participation is donation timing. A donor must provide their \$1,700 gift to an SGO during the tax year and then wait until their taxes are filed in the spring of the following year to recoup those funds as a credit. For higher-income donors, carrying that temporary cost is manageable. However, for potential donors making less than \$85,000 a year, this up-front cost barrier is significant. These donors make up half of the potential donor pool (61.2 million filers) and nearly half of potential giving capacity (\$85.8 billion). The average maximum gift from this group is \$1,402; about two-thirds of these donors could give and claim the full \$1,700, and the remainder could give up to their federal income tax liability.

What is the path for donors with less than \$85,000 in annual income to make contributions to SGOs under real world constraints?

Current tax law may provide an option. For motivated donors, updating their W-4 with their current employer to account for this credit could permit them to make contributions to SGOs without the additional up-front cost. Form W-4 allows employees to reduce their tax withholding for anticipated tax credits, and Treasury regulations allow employees to count estimated credits allowable under Chapter 1, which includes §25F.⁹ A donor who elects the credit on their W-4 raises their take home pay by the amount of the credit, which then does not require the donor to forgo that income while waiting to file their taxes in the following year. For example, a full \$1,700 gift can then be spread out across the tax year through \$65 donations with every biweekly paycheck instead of a lump sum up front. After making the corresponding W-4 withholding change, that \$65 donation is then money that otherwise would have been withheld for a federal tax payment the following spring. For a donor giving \$1,402, the average maximum gift among filers with incomes under \$85,000, the corresponding bi-weekly paycheck impact is about \$54. If SGOs can enable this path for donors with a corresponding automatic donation when each paycheck arrives, the potential for realized giving under the EFTC expands dramatically.

A near frictionless version of this same path runs through employers. If facilitated by employers and payroll processors, an employee could designate an SGO and a per-paycheck donation amount through a one-time payroll election during benefits enrollment. The employer could then remit donations to the chosen SGOs in bulk each month, reducing the employee's federal income tax withholding by the same amount so that their take-home pay never changes. Arizona has enabled this giving mechanism since 2010 for several state tax credits. At an employee's request, an employer may reduce the employee's state income tax withholding by the credit amount the employee expects to claim and send that amount each quarter directly to the organization the employee designates, including Arizona's public school credit that funds extracurricular fees and the state's individual scholarship tax credit programs for private school student scholarships.¹⁰ In this arrangement, the employee is responsible for the accuracy of the election and the employer bears responsibility for forwarding those donations on to the designated organizations.

If enabled, the payroll on-ramp could potentially double or triple the amount of funding raised under the EFTC. At large companies, 21 percent of employees already participate in matching-gift programs that, unlike the EFTC, cost them money.¹¹ Regardless of whether the payroll on-ramp is enabled, the individual W-4 route does not depend on new large-scale actions; any donor can file an updated W-4 in 2027 and make donations from funds generated through reduced withholding.

CONCLUSION

The EFTC opens a new stream of funding for K-12 education unlike any federal education policies prior. I estimate that 121.5 million taxpayers, nearly three in four tax filers, across every state and at nearly every income level, will be eligible to claim the credit in tax year 2027. If every one of them participated and gave the maximum the credit allows, combined giving would reach a theoretical upper bound of \$187.9 billion. Importantly, this estimate of donor capacity is not a prediction of how much funding will be raised under the EFTC. Rather, it is an upper bound estimate of the size of the funding opportunity for scholarship granting organizations and K-12 student scholarship recipients.

The total amount of qualified contributions to SGOs under the EFTC ultimately depends on participation rates. This brief outlines many participation scenarios and provides the necessary information for advocates, scholarship organizations, and policy makers to make their own judgments about how much funding may be raised using the EFTC over time. The EFTC's design gives reason for optimism: it is an uncapped credit, available to donors nationwide, that fully reimburses the donor and can fund scholarships for public and private school students alike. If even just one in ten eligible donors participate, the EFTC would raise nearly \$19 billion for K-12 scholarships every year, which is more than the federal tax benefits each year for charitable giving to every school, college, and university combined.¹²

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- 1 Education Reform Now, “Federal Scholarship Tax Credit – State Projections” (February 3, 2026), <https://edreformnow.org/2026/02/03/ftcs-projections/>. ERN estimates roughly 47 million potential donors, defined as tax filers with adjusted gross income above \$85,000 who could redirect the full \$1,700 at no net cost.
- 2 America First Policy Institute, “The Cost of Opting Out: EFTC Donation Impact Projector” (interactive tool, accessed September 2, 2026), <https://afpieftc.netlify.app/>, with companion analysis “Federal Education Tax Credit: Policy Roadmap for States.” AFPI projects donations foregone in 2027 through 2029 by states declining to opt in, using tax year 2022 IRS Statistics of Income filer counts and modeling joint filers at up to \$3,400.
- 3 National Center for Education Statistics, Revenues and Expenditures for Public Elementary and Secondary Education: FY 2024 (First Look), NCES 2026-008 (2026), pp. 2–3 (https://ies.ed.gov/sites/default/files/nces/document/2026/05/2026008_FY24NPEFS_FirstLook.pdf): federal revenues for public K-12 schools were \$121.2 billion in FY 2024, 11.7 percent of \$1.04 trillion in total revenues, a figure that includes \$42.0 billion in one-time federal COVID-relief spending. Ongoing federal support net of that relief is roughly \$79 to \$80 billion, or 8 to 9 percent of total revenues, consistent with the pre-pandemic federal share of about 8 percent reported in Congressional Research Service, Funding for Public Elementary and Secondary Schools, In Focus IF12519 (https://www.congress.gov/crs_external_products/IF/PDF/IF12519/IF12519.2.pdf). The Title I and IDEA comparison uses FY 2025 appropriations, which the full-year continuing resolution (P.L. 119-4) held at FY 2024 levels: \$18.4 billion for ESEA Title I-A (Congressional Research Service, FY2025 State Grants Under Title I-A of the Elementary and Secondary Education Act (ESEA), R48953, May 21, 2026) and about \$15.4 billion for Individuals with Disabilities Education Act programs, including \$14.2 billion for Part B grants to states (U.S. Department of Education budget tables).
- 4 American Federation for Children, Federal Scholarships, <https://federalscholarships.com/> (“What States Have Opted In?” state-by-state opt-in tracker). The count of 31 states reflects states that have opted in or have signaled their intent to opt in as of August 2026.
- 5 Graff, Patrick, Who Can Receive a Scholarship? The Eligible K-12 Student Population Under the New Federal Education Freedom Tax Credit (EFTC), American Federation for Children (July 28, 2026), <https://www.federationforchildren.org/eftc-eligibility/>. The report estimates that 51.7 million K-12 students, roughly nine in ten nationwide, meet the EFTC’s household income eligibility requirement.
- 6 Arizona Department of Revenue, Arizona’s Individual and Corporate Income Tax Credits (credit history report, November 19, 2025), pp. 44–46 (claims of the individual scholarship credits under §§ 43-1089 and 43-1089.03, tax years 2014–2024); share of returns computed against IRS Statistics of Income, Historic Table 2, Arizona (3,391,030 individual returns, tax year 2023). Arizona’s original individual credit, the nation’s oldest (1997), was claimed on about 2.4 percent of returns; Education Reform Now’s participation projections similarly characterize existing state programs at roughly 2 to 3 percent of taxpayers.
- 7 Giving USA Foundation, Giving USA 2026: The Annual Report on Philanthropy for the Year 2025, researched and written by the Indiana University Lilly Family School of Philanthropy (Indianapolis: Giving USA Foundation, 2026). Individual giving equaled 1.7% of disposable personal income in 2025 (unchanged from 2024); the forty-year range is 1.7%–2.4%. <https://givingusa.org/>
- 8 26 U.S.C. §25F caps the credit at \$1,700 per taxpayer and, unlike Code provisions that expressly double dollar limits for joint returns, the statute contains no provision allowing married couples filing jointly to claim \$3,400. Treasury has not yet resolved joint-filer treatment: its June 2026 preview of forthcoming §25F regulations describes the credit only as “up to \$1,700,” with proposed regulations expected by the end of September 2026. The \$75.1 billion figure reflects re-estimating national capacity with joint filers permitted to give up to \$3,400, subject to the same liability limit as the headline estimates; under the 2 percent affordability assumption used in the robustness check, the corresponding figure is \$52 billion.
- 9 Internal Revenue Service, Form W-4, Employee’s Withholding Certificate (2026), Step 3 instructions (“You can also include other tax credits for which you are eligible in this step”); Treas. Reg. § 31.3402(m)-1(c), which permits employees to take into account “the estimated income tax credits allowable under chapter 1” in setting withholding. Section 25F is a chapter 1 credit, so it falls within the regulation’s existing text; Treasury may confirm this application explicitly in the forthcoming § 25F regulations and list the credit in the withholding worksheets of IRS Publication 505, Tax Withholding and Estimated Tax.

10 A.R.S. § 43-401(G), enacted by Laws 2009, ch. 167 (H.B. 2287), effective January 1, 2010. At an employee's written request, an employer "may agree to reduce the amount withheld under this section by the amount of credit that the employee represents to the employer that the employee will qualify for and be entitled to"; the employer remits each quarter's reduction directly to the designated organization within fifteen days after the quarter, the payments "are considered to be on the employee's behalf, and not the employer's," the employee is responsible for the accuracy of the elected amount, and the employer is responsible for making the payments. The election covers four individual credits: Arizona's two scholarship tax credits, whose school tuition organizations fund private school scholarships (§ 43-1089, the original credit dating to 1997, and § 43-1089.03, the 2012 "switcher" credit); the public school credit for fees and contributions supporting activities such as extracurricular programs (§ 43-1089.01); and the credits for qualifying charitable organizations, including foster care organizations (§ 43-1088). The state's corporate scholarship credits cannot be funded this way. The Arizona Department of Revenue publishes the standard forms (A-4C, the employee's request to the employer; A1-QTC, the employer's quarterly remittance) and confirms in Publication 707, School Tax Credits, that taxpayers may make credit-eligible contributions to a school tuition organization "through payroll withholding."

11 Chief Executives for Corporate Purpose (CECP), Giving in Numbers research release, August 6, 2026 (2025 survey data): on average, 21 percent of employees at surveyed companies participated in their employer's matching-gift program, a rate CECP describes as a "participation ceiling" after several flat years; the full 2025-data edition is scheduled for publication in October 2026. The survey covers large companies specifically, with annual samples of roughly 200 firms with revenues of \$2 billion or more and more than 650 participating over the survey's 25-year history. The prior edition reported 20 percent average participation for 2023, ranging from 13 percent in industrials and consumer discretionary to 31 percent in communications (CECP, Giving in Numbers, 2024 Edition, pp. 17, 19).

12 Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2025–2029, JCX-45-25 (Washington, DC: December 3, 2025), 38, Table 1, "Deduction for charitable contributions to educational institutions," <https://www.jct.gov/getattachment/8c830c45-1680-4f7e-a649-2a0106f6b6e3/x-45-25.pdf> JCT estimates the deduction at \$10.6 billion in FY2025 (\$9.1 billion individual, \$1.5 billion corporate), rising to \$13.0 billion by FY2029.