GUIDANCE MEMORANDUM

Qualified Elementary and Secondary Education Scholarships

Scholarship Granting Organization Certification & Listing Process

STATUTORY AUTHORITY 26 U.S.C. § 25F

EFFECTIVE DATE XX/XX/XXXX

PURPOSE

This memorandum outlines the State's process of identifying and certifying Scholarship Granting Organizations (SGOs) for inclusion on the annual list submitted to the U.S. Secretary of the Treasury pursuant to 26 U.S.C. §25F(g).

> The State's role is limited to verifying that organizations meet federal statutory requirements. The State does not regulate SGOs beyond those requirements.

OVERVIEW

Under §25F:

- States voluntarily elect to participate.
- Participating states must submit, by January 1 each year, a list of SGOs that meet federal requirements.
- Only organizations included on the State's certified list may receive contributions eligible for the federal scholarship tax credit.

CERTIFICATION STANDARDS

To be listed, an organization must:

1. Be a 501(c)(3) public charity and not a private foundation.
2. Maintain separate accounts preventing co-mingling of qualified contributions.
3. Award scholarships to at least 10 students who do not all attend the same school.
4. Spend at least 90% of its income on scholarships for eligible students.
5. Award scholarships only for qualified elementary or secondary education expenses.
6. Verify household income and limit awards to students at or below 300% of Area Median Income.
7. Provide required student priority.
8. Not earmark contributions for particular students.
9. Prohibit self-dealing.

APPLICATION & REVIEW PROCESS

Step 1 – Application Submission: Organizations submit the State SGO Application and required documentation.

Step 2 – Administrative Review: The designated State authority reviews applications for completeness and verifies statutory alignment.

Step 3 – Certification & Listing: Approved organizations are included on the State's annual certified SGO list submitted to U.S. Treasury.

Step 4 – Ongoing Compliance: Certified SGOs must submit an annual State SGO Application affirming continued adherence to federal requirements and audit requirements.

REMOVAL OR SUSPENSION

An SGO may be removed from the State list if:

- It materially misrepresents compliance;
- It fails to maintain required eligibility standards; or
- It no longer satisfies federal requirements under §25F.

> Organizations will receive written notice and an opportunity to respond prior to removal.