

SUPPORTING STATEMENT
Internal Revenue Service
Qualified Contributions to a Scholarship Granting Organization
Under Section 25F
T.D. 10057
OMB Control Nos. 1545-2335

9. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 70411 of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), enacted new Section 25F of the Internal Revenue Code (IRC) to provide a nonrefundable income tax credit for an individual's qualified contributions to public charities that a State has certified as meeting the section 25F requirements for a scholarship granting organization (SGO) and that States include on a list they submit to the IRS as part of their election to participate under section 25F for a particular calendar year. Section 25F is effective for taxable years ending after December 31, 2026.

Under Section 25F, taxpayers make charitable cash contributions to SGOs located in participating States and designate their contributions as qualified contributions. The SGO acknowledges the qualified contribution and uses the funds to award scholarships for qualified elementary and secondary school expenses to eligible students. Taxpayers then claim a non-refundable income tax credit for qualified contributions, subject to a \$1,700 annual limitation per individual filer and up to \$3,400 annual limitation for married joint filers, and a reduction for any State credit claimed or otherwise allowed for such contributions. The IRS administers the credit by processing claims and reconciling information reported by SGOs and individuals. In order for a contribution made by a taxpayer to a public charity to be a qualified contribution eligible for a Section 25F credit, multiple criteria must be met.

The temporary regulations are set forth in 26 CFR §§ 1.25F-1T, 1.25F-4T(b) and (c), and 1.25F-5T. They provide procedures for States to make elections to participate under section 25F and certify public charities located in their State as SGOs. They also provide procedures for SGOs to provide acknowledgment of receipt of qualified contributions to individuals and to report information on those contributions to the IRS.

State Collection Requirements

A State must voluntarily elect to participate under Section 25F for a calendar year, as described in section 25F(c)(1) and (g) and 26 CFR 1.25F-5T(c). Once a State decides to participate, it must obtain a special employee identification number (EIN) to be used solely for participating under section 25F and register for the IRS State section 25F portal, described in 1.25F-5T(b).

States will use the IRS State section 25F portal to submit to the IRS their election to participate, as detailed in 26 CFR 1.25F-5T(b). For 2027, States will make this election using Form 15714, *Advance Election to Participate Under Section 25F*.

States that participate for a calendar year will need to provide IRS with a list of organizations

located in their State that are described in section 25F(c)(5)(A) and (B), are seeking inclusion on the State SGO list, and are operating in a manner that satisfies the operational requirements in section 25F(d). States are required to inform IRS of any changes to the State SGO list, as described in 26 CFR 1.25F-5T(d)(7). IRS will publish an IRS SGO list which includes the SGOs on the State SGO lists that have authorized the disclosure of their identifying information and SGO status on the IRS website.

States must certify, as described in 26 CFR 1.25F-5T(c)(5)(iv) and (d)(3), that the SGOs on its list satisfy the requirements described in section 25F(c)(5) for the applicable calendar year. In accordance with 26 CFR 1.25F-5T(c)(5)(iv) and (d)(2), a State must provide information with respect to each organization named on the State SGO list, including certain identifying information and whether the organization has received recognition as a section 501(c)(3) public charity. Finally, States must create policies and procedures for certifying SGOs and keep records related to these procedures, as described in 26 CFR 1.25F-5T(c)(5)(vi) and (d)(6).

SGO Collection Requirements

When an SGO receives a donation that the donor has designated as a qualified contribution, it must provide the donor an acknowledgement containing a unique donor number, as detailed in 26 CFR 1.25F-4T(c)(1). The SGO must maintain records in order to report the qualified contributions to the IRS, as detailed in 26 CFR 1.25F-4T(c)(2).

An SGO must register for the IRS SGO portal, as described in 26 CFR 1.25F-4T(b). SGOs may authorize disclosure of their name and identifying information for inclusion on the IRS SGO list. Through the IRS SGO portal, the SGO must annually provide the IRS with the donor's information and the qualified contribution information, including the unique donor number, by February 28 of the year following the year in which such donation was made, as detailed in 26 CFR 1.25F-4T(c)(2).

10. USE OF DATA

The information provided will enable States to make their election to participate under section 25F and certify that a public charity meets the requirements for classification as an SGO for the State SGO list that a State must submit to the IRS as part of its election. Taxpayers will use the IRS SGO list that IRS publishes based on the State SGO lists to determine what organizations have qualified as SGOs. Taxpayers who claim the section 25F credit for qualified contributions will provide information regarding their contributions to IRS, which IRS will match against information received from SGOs. SGOs will facilitate this process by providing taxpayers with a record and identification of their contributions.

11. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

IRS is engaged with IT developers to facilitate State submissions of State elections and State SGO lists and SGO submissions of qualified contribution information through dedicated online portals. IRS will post the IRS SGO lists on the IRS.gov website. SGOs are required to provide timely written acknowledgement of contributions received to donors, which can be provided in

writing or in any other form acceptable to the donor, including by electronic delivery if the donor consents to receive the statement electronically.

12. EFFORTS TO IDENTIFY DUPLICATION

Section 25F is a new provision added to the IRC by Section 70411 of OBBBA. No existing reporting requirements or processes are duplicated elsewhere within the IRS. The information collected is unique and is not already available for use or adaptation from another source. IRS is the only Federal agency with the authority to collect this tax information.

13. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The collections of information imposed on the States do not impose a burden on small businesses or other small entities as States are not considered to be either.

The Treasury Department and the IRS currently estimate that 600 to 700 organizations may be impacted by these regulations because they will seek to be SGOs. The Treasury Department and the IRS expect that at least 95 percent of these organizations will likely be considered a small business entity. The Treasury Department and the IRS considered alternatives to the regulations, but were not able to identify any alternatives that would achieve the goals of these rules and be less burdensome to small entities.

14. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

A less frequent collection of this information would be inconsistent with statutory requirements. The collection requirements are necessary to administer the section 25F credit for contributions to SGOs. The collections of information generally would be used by the States to be able to identify and certify SGOs in the State and by SGOs (1) to provide information to taxpayers regarding their contributions to enable them to qualify for the credit and (2) to report information on those contributions to the IRS.

15. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

16. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

The IRS needs to release T.D. 10057 as soon as possible, so that States who wish to elect to participate under § 25F may register on the IRS State section 25F portal and prepare to submit SGO lists to the IRS later in 2026. Organizations also need time to prepare to qualify as an SGO in a participating State.

Following normal Paperwork Reduction Act clearance procedures for T.D. 10057 would result in harm to the States and potential SGOs therein, as such organizations would have insufficient time to take the necessary steps to meet the requirements of section 25F(c)(5) and §§ 1.25F-4T and 1.25F-5T. Therefore, due to the extraordinary circumstances and statutory deadlines for implementing Section 25F, the Treasury Department and IRS request emergency processing under 5 CFR § 1320.13(a)(2)(iii) of this information collection request with an approval for 180 days.

Public comment will also be solicited in conjunction with the subsequent extension of the approval to collect this information on the schedule to Form 990, *Return of Organization Exempt from Income Tax*, and Form 8525, *Federal Scholarship Tax Credit* (or successor form), developed for this purpose.

17. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No respondents will be paid or provided gifts.

18. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

The information in this collection may include sensitive but unclassified information, such as the identity of an individual authorized to make an election on behalf of a State (for example, an individual with delegated authority to submit the State SGO list and accompanying information and certifications on behalf of the State); information associated with individual donors; and scholarship recipient data. Confidentiality will be maintained to the extent allowed by law.

19. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Individual Master File (IMF), "Business Master File (BMF)" system, and a Privacy Act System of Records notice (SORN) has been issued for this system under: Treas/IRS 24.046 - Customer Account Data Engine Business Master File; IRS 34.037 - IRS Audit Trail and Security Records System; Treas/IRS 50.222 - Tax Exempt/Government Entities (TE/GE) Case Management Records. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

20. ESTIMATED BURDEN OF INFORMATION COLLECTION

IRS anticipates that there will be 51 State respondents and 650 SGO respondents.

The burden estimate is as follows:

<u>Authority</u>	<u>Description</u>	<u># of Respondents</u>	<u># of Responses per Respondent</u>	<u>Annual Responses</u>	<u>Hours per Response</u>	<u>Total Burden Hours</u>
IRC § 25F	Form 15714	51	1	51	0.35	37
IRC § 25F	Registration § 1.25F-5T(b)	51	1	51	1.03	53
IRC § 25F	Election § 1.25F-5T(c)(1) - (4)	51	1	51	0.29	15
IRC § 25F	State compiling and submitting the SGO list § 1.25F-5T(d) certifications and information regarding SGOs on State SGO list required by § 1.25F-5(d)(2)and (3)	51	1	650	10	6,500
IRC § 25F	State certifications - certifications and information required by § 1.25F-5T(c)(5) & (d)(6) (policies and procedures)	51	1	51	1.71	87
IRC § 25F	State removal of SGO (reporting changes as needed or required) § 1.25F-5T(d)(7)(iii)	8	7	56	0.5	28
IRC § 25F	Registration § 1.25F-4T(b)	650	1	650	1.33	865
IRC § 25F	Contribution Related Collection - Drafting Template for Acknowledgement and unique ID generation process § 1.25F-4T(c)(1)	650	1	650	2	1,300
IRC § 25F	Contribution Related Collection - SGO giving contributors a	650	16,923.77	11,000,000	.25	2,750,000

	written acknowledgement § 1.25F-4T(c)(1)					
IRC § 25F	Contribution Related Collection (Annual Report to IRS of Contributor Information) § 1.25F-4T(c)(2)	650	16,923	11,000,000	.5	5,500,000
Totals		2,812		22,002,210		8,258,885

21. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

No special software or other equipment is needed to respond to this collection of information; no user fee is required to respond to the collection of information. The collection of information is not expected to require postage or other transmission fees, except for an expected de minimis number of timely written acknowledgements for which the donor does not agree to receive the acknowledgement electronically. A respondent may wish to print a copy of their submission.

22. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no cost to the Federal government for the recordkeeping and third-party disclosure requirements imposed on States and SGOs. There are costs related to developing the online portals for the States and SGOs, and for developing new forms (Form 8525 and Schedule for Form 990.

Portal Cost:

The IRS incurs development, cloud-hosting, and operational-support costs for the Section 25F State and SGO portals through a broader shared Tax Credits solution. Based on current contract and budget records, the identified ASO task-order award and FY26 Bridge 2 IEP funding total \$2,450,738.97. These amounts also support Clean Energy statutory changes and shared Tax Credits platform capabilities. The underlying contract and funding lines do not separately allocate costs by individual portal or between start-up and annual maintenance.

Form and Schedule Cost:

Cost estimate for product development is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. The costs to the Federal government will vary depending on whether the IRS will incur printing or copying costs for all the materials. These costs do not include any activities such as taxpayer assistance and enforcement. IRS estimates have determined that the cost of developing, printing, distribution and overhead for the Form and

schedule is \$15,048.

23. REASONS FOR CHANGE IN BURDEN

This is a new paperwork burden approval due to these temporary regulations. The burden for this collection of information is 22,002,159 responses and 8,258,848 hours of total burden.

	Total Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	22,002,210	22,002,159	0	0	0	51
Annual Time Burden (Hr)	8,258,885	8,258,848	0	0	0	37

24. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

The IRS will publish on the IRS.gov website the IRS SGO list, which is an aggregated list of all SGOs that appeared on a State SGO list and who provided disclosure authorization so information regarding the SGO could be included on the IRS SGO list. This list will be published annually and updated as needed and will include the name and EIN of the SGO. The IRS has no plans to do statistical analysis or tabulation on the information collected.

25. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the collection sunsets as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

26. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.