



## FACT SHEET: The § 25F Federal Tax Credit Scholarship

### *A New, Zero-Cost Employee Benefit for Your Workforce*

Beginning in **2027**, a landmark federal law (**Internal Revenue Code § 25F**) allows individuals to redirect up to **\$1,700** of their federal tax liability (\$3,400 for joint filers) to support K–12 student scholarships.

As an employer, you can facilitate this "frictionless" giving through your existing payroll system—giving your employees a way to support local education at **no net cost to them or your company**.

### How It Works: The "Frictionless" Model

The goal is to allow employees to fund their scholarship contribution throughout the year using small, regular payroll deductions.

- **Step 1: Employee Election.** An employee chooses to donate \$1,700 annually to a qualified Scholarship Granting Organization (SGO), like AAA Scholarship Foundation, to be used to fund scholarships at their selected school of choice.
- **Step 2: Payroll Deduction.** The employer deducts the amount (approx. \$65 bi-weekly) from the employee's **after-tax** pay.
- **Step 3: W-4 Adjustment.** The employee updates **Step 3 of Form W-4**. This reduces their federal tax withholding by the same amount, ensuring their **take-home pay remains virtually unchanged**.
- **Step 4: Direct Remittance.** The employer sends the collected funds directly to AAA.

### Why Should Your Company Participate?

Benefit	Impact
<b>Zero Cost</b>	The program is funded entirely by tax credits that would otherwise go to the IRS. There is no direct expense to the employer.
<b>Recruitment &amp; Retention</b>	Offering a "community impact" benefit helps you stand out. Employees feel proud that their work helps fund local scholarships.

Benefit	Impact
<b>Simple Administration</b>	This functions like any other voluntary deduction (e.g., United Way or 401k). At year-end, you simply report the total in <b>Box 12 of the W-2</b> .
<b>Corporate Social Responsibility</b>	You facilitate thousands of dollars in educational funding for low- and middle-income families in your community.

---

### Frequently Asked Questions

- **Is this a deduction?** No. It is a **dollar-for-dollar tax credit**. This is much more powerful than a deduction because it reduces the employee's tax bill by the exact amount donated.
- **Does the employer have to match funds?** No. While employers *can* choose to donate, this specific program is powered by the employee's own tax liability.
- **What are the reporting requirements?** Under our proposed model, the employer simply lists the total annual contribution in **Box 12 of Form W-2** (using a designated IRS code). This acts as the employee's "receipt" for their tax return.

---

**Ready to get started?** AAA Scholarship Foundation is ready to partner with your HR team to provide the necessary employee enrollment forms.

Contact us today at 888-707-2465 or <https://www.aaascholarships.org/contact-us/>