# What the Previewed Federal Voucher Tax Credit Regulations Mean for States

On June 11, 2026, the Treasury Department released a preview of its forthcoming regulations for the Federal Voucher Tax Credit (FVTC). **This preview confirms that governors will have minimal control over how this program operates within their state.** Specifically, the preview explicitly states that states will NOT be able to significantly influence how scholarship granting organizations (SGOs) direct funds, while still being burdened with the expense and liability of monitoring potentially rampant fraud and abuse.

Here's a breakdown of each portion of the guidance and its implications for state decision-makers:

- **Governors WILL NOT have the authority to shape the federal voucher program to align with their state's priorities and values.** Treasury's previewed regulations explicitly note that, "States may not impose substantive SGO specific requirements that are more restrictive" than those outlined in federal law. This means states cannot transform the program into one that solely supports the most vulnerable public school students, nor can they ensure that the services students use through the program are high quality and lead to improved academic outcomes.

- **States' main lever of influence over program operations will be through financial audits.** Treasury has indicated that all SGOs participating in the program will need to provide states with annual financial and programmatic audits. While an imperfect tool, these audits represent the primary mechanism states can use to limit fraud and abuse and ensure compliance within the program. This oversight role comes at a cost, as states are expected to finance the review of these audits — something for which lawmakers in Florida have already diverted $2 million in 2027. States must also take on the risk of lawsuits from SGOs that object to the results of this oversight.

- **Clarity about which non-tuition expenses are eligible won't come any time soon.** The types of expenses eligible for coverage by scholarships funded through the FVTC are outlined in Section 530 of the US Tax Code. Treasury's preview of the regulations indicated that guidance on these eligible expenses will not be included in this round of regulations — and no date is set for their release. Though non-tuition-related expenses — such as tutoring — are ostensibly allowable for students remaining enrolled in public schools, the law's vague language suggests that further guidance will be required before FVTC scholarships can be effectively and efficiently used at scale for expenses other than attending private school.

- **Large out-of-state SGOs that primarily benefit private schools will have an advantage in securing funds.** The preview makes clear that SGOs will easily be able to operate in multiple states simultaneously while meeting only minimum federal requirements. Treasury's preview of the regulations states that SGOs will be considered "located" in a particular state if they are authorized to do business there and comply with "generally applicable state charitable-organization rules." This will only exacerbate the structural advantages of existing SGOs, which primarily fund private school vouchers.

- **Federal oversight will be limited and complex for at least the first year of the program, adding additional risks for students and state leaders.** Treasury and the IRS plan to develop an SGO online platform designed to "streamline" communications between the IRS and SGOs. But Treasury's preview indicates that details on the portal won't be included in the September draft regulations, and the portal may not be fully functional when the program launches in January.

**Taken together, the aspects of Treasury's preview outlined above clarify that state leaders will have minimal power to shape the program's implementation in ways that best fit the needs of students in their state.** State leaders should consider the implications of this guidance when deciding whether to participate in the program for 2027 or any year thereafter.