SECRETARY OF STATE
Office of Business Services
(New Administrative Regulation)

30 KAR 1:060. Scholarship Granting Organizations.

RELATES TO: 26 U.S.C. § 25F, 2026 Ky. Acts ch. 4, KRS 14A.2-050, 14A.2-060

STATUTORY AUTHORITY: 2026 Ky. Acts ch. 4, Section 1(3), KRS 14A.2-050(3), 14A.2-060(1)(p)

CERTIFICATION STATEMENT: This is to certify that this administrative regulation is in compliance with the requirements of 2025 Ky. Acts ch. 6, Section 8(2). This administrative regulation is being promulgated to meet the January 1 deadline established by 2026 Ky. Acts ch. 4 for submission of the list described in 26 U.S.C. § 25F(g).

NECESSITY, FUNCTION, AND CONFORMITY: House Bill 1 (2026 RS) requires the Secretary of State to submit to the Internal Revenue Service the list described in 26 U.S.C. § 25F(g). This administrative regulation establishes the filing procedures, declaration form, filing fee, annual audit filing requirement, and annual process for inclusion on the list submitted by the Secretary of State to the Internal Revenue Service.

Section 1. Definitions.

(1) "Eligible expenses" has the same meaning as set forth in 26 U.S.C. § 530(b)(3)(A).

(2) "Eligible student" has the same meaning as set forth in 26 U.S.C. § 25F(c)(2).

(3) "Entity" is defined by KRS 14A.1-070(7).

(4) "Foreign entity" is defined by KRS 14A.1-070(10).

(5) "Qualified contributions" has the same meaning as set forth in 26 U.S.C. § 25F(c)(3).

(6) "Scholarship Granting Organization" or "SGO" has the same meaning as set forth in 26 U.S.C. § 25F(c)(5).

(7) "School" means:

(a) A common school as defined by KRS 158.030(1); or

(b) A nonpublic school defined by 704 KAR 3:315, including but not limited to a private, parochial, home-based, church school, or charter school.

(8) "Student" means a student enrolled in kindergarten through grade twelve (K–12) who is subject to compulsory attendance requirements pursuant to KRS 158.030.

Section 2. Filing Procedures.

(1) An entity or foreign entity seeking inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F as a Scholarship Granting Organization shall file the "Declaration of Scholarship Granting Organization", incorporated by reference in this administrative regulation.

(2) The declaration shall be filed with the Secretary of State no later than November 30 prior to the first year in which the entity or foreign entity seeks inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to this administrative regulation.

(3) The filing shall be accompanied by:

(a) A copy of a favorable determination letter issued by the Internal Revenue Service recognizing the entity or foreign entity as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code; and

(b) The $15 filing fee established by KRS 14A.2-060(1)(p).

(4) The Secretary of State shall annually submit to the Internal Revenue Service a list consisting of entities and foreign entities that have satisfied the filing requirements of this administrative regulation.

(5) Acceptance of a filing by the Secretary of State shall not constitute a determination that the entity or foreign entity satisfies the requirements of 26 U.S.C. § 25F.

Section 3. Annual Audit Filing Requirement.

(1) Beginning in the calendar year following inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to this administrative regulation, each Scholarship Granting Organization shall annually file with the Secretary of State, no later than November 30, an independent audit prepared by a certified public accountant licensed pursuant to KRS 325.290.

(2) The audit shall be accompanied by the $15 filing fee established by KRS 14A.2-060(1)(p).

(3) The audit shall include the certified public accountant's verification that the Scholarship Granting Organization satisfied the requirements of 26 U.S.C. § 25F during the prior calendar year, including verification that the Scholarship Granting Organization:

(a) maintained one or more separate accounts exclusively for qualified contributions;

(b) awarded scholarships to at least ten (10) eligible students that did not all attend the same school;

(c) spent not less than 90 percent of the income of the organization on scholarships for eligible students;

(d) used scholarship funds only for eligible expenses;

(e) applied scholarship selection criteria that prevented earmarking or setting aside qualified contributions for the benefit of any particular student while giving priority to students that were awarded a scholarship the previous year and students who have a sibling who was awarded a scholarship from the SGO;

(f) verified the household income and family size of students that applied for scholarships and that the students that were awarded scholarships did not exceed 300 percent of the area median gross income; and

(g) continued throughout the prior calendar year to be recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code.

(4) The audit shall be open to public inspection and copying under the Kentucky Open Records Act; however, no personally identifiable information concerning the identity of students or the income eligibility of any particular student's household shall be included in the audit.

(5) An entity or foreign entity that fails to submit the audit required by this section shall not be included on the annual list submitted by the Secretary of State to the Internal Revenue Service pursuant to this administrative regulation.

Section 4. Incorporation by Reference.

(1) The following material is incorporated by reference: "Declaration of Scholarship Granting Organization", July 2026.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Secretary of State's office, 700 Capital Avenue, State Capitol, Suite 152, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m., or may be obtained from the Secretary of State's website at http://www.sos.ky.gov

MICHAEL G. ADAMS, Secretary of State

APPROVED BY AGENCY: July 22, 2026

FILED WITH LRC: July 22, 2026 at 3:00 p.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Tuesday, October 27, 2026, at 9:00 a.m. EST, at the Office of the Secretary of State. Individuals interested in being heard at this hearing shall notify this agency in writing by five (5) work days prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until October 31, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Michael R. Wilson, Director, Office of Business, 700 Capital Avenue, State Capitol, Suite 152, Frankfort, Kentucky 40601, phone (502) 782-7422, fax (502) 564-5687, email michael.wilson@ky.gov.