

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2026 REGULAR SESSION**

MEASURE

2026 BR NUMBER 928

HOUSE BILL NUMBER 1 HCS 1

TITLE AN ACT implementing the federal education opportunity program in Kentucky.

SPONSOR Representative Jason Petrie

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE STATE
EMPLOYEE HEALTH PLAN IMPACT

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

| FISCAL ESTIMATES | 2025-2026 | 2026-2027 | 2027-2028 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|---------------------|-----------|-----------|-----------|--|
| REVENUES | | | | |
| EXPENDITURES | | | | |
| NET EFFECT | | | | |

() indicates a decrease/negative

PURPOSE OF MEASURE: House Bill 1/House Committee Substitute 1 establishes that the Commonwealth of Kentucky shall participate in the qualified elementary and secondary education scholarship federal tax credit program established under 26 U.S.C. § 25F. This program allows a federal tax credit for individuals who make qualifying contributions to a scholarship granting organization (SGO). For purposes of this federal tax credit program, the state shall identify scholarship granting organizations in this state and notify the Treasury of the Commonwealth's participation in the program. The Secretary of State shall also submit a list of SGOs by January 1 of each year.

FISCAL EXPLANATION: HB 1/HCS 1 is not expected to have a fiscal impact on the General Fund. Under 26 U.S.C. § 25F, taxpayers may claim a federal income tax credit for a taxable year equal to the aggregate amount of qualified contributions made during that year. “Qualified contributions” are defined as cash charitable contributions made to a SGO that uses those funds to provide scholarships to eligible students.

The federal credit is capped at \$1,700 per taxpayer. In addition, 26 U.S.C. § 25F provides that any contribution for which the credit is claimed may not also be treated as a charitable

contribution under 26 U.S.C. § 170. As a result, the aggregate amount included in the calculation of the credit cannot also be deducted as charitable contributions for federal income tax purposes.

Because Kentucky conforms to federal law in its treatment of charitable contributions, those same amounts are not deductible for Kentucky individual income tax purposes. Consequently, HB 1/HCS 1 is not expected to reduce General Fund revenues.

This measure requires Kentucky to participate in the federal education scholarship tax credit program established under 26 U.S.C § 25F and designates the Secretary of State as the official state agency. The increase in administrative costs for the Secretary of State would be offset by a fee charged to participating organizations and could be absorbed with the current personnel. There would be no fiscal impact to the Secretary of State.

DATA SOURCE(S): LRC Staff

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