

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

HOUSE BILL 3704

By: Caldwell (Chad)

AS INTRODUCED

An Act relating to revenue and taxation; electing the State of Oklahoma to participate in the federal income tax credit for individual contributions to scholarship granting organizations; directing the Governor to execute required certification and agreements as required by the United States Department of the Treasury; requiring the Oklahoma Tax Commission to identify certain scholarship granting organizations and provide list to the Secretary of the Treasury; defining terms; requiring the Oklahoma Tax Commission to promulgate necessary rules, forms, and procedures; directing the Oklahoma Tax Commission to certain activities performed by scholarship granting organizations; providing for election to participate in the federal income tax credit to remain in effect for certain period; providing for codification; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 2357.901 of Title 68, unless there is created a duplication in numbering, reads as follows:

A. The State of Oklahoma hereby elects to participate, to the fullest extent permitted by federal law, in the federal income tax

1 credit for individual contributions to Scholarship Granting
2 Organizations, as established in Section 25F of the Internal Revenue
3 Code of 1986, as added by Section 70411 of Pub. L. No. 119-21, or
4 any successor provision.

5 B. The Governor of this state is directed and authorized to:

6 1. Execute and submit any election, certification, agreement,
7 or other instrument required by the United States Department of the
8 Treasury or the Internal Revenue Service for a state to be treated
9 as a "participating state" for purposes of the federal credit for
10 contributions to scholarship granting organizations;

11 2. Designate, consistent with federal law, the Oklahoma Tax
12 Commission as the state agency responsible for:

13 a. identifying and registering Scholarship Granting
14 Organizations within this state that meet the
15 requirements of Section 25F of the Internal Revenue
16 Code of 1986 and related federal guidance,

17 b. maintaining and providing to the Secretary of the
18 Treasury the list of qualified Scholarship Granting
19 Organizations located in this state, and

20 c. performing any reporting, recordkeeping, or compliance
21 functions required of participating states under Pub.
22 L. No. 119-21 and applicable federal regulations; and

23 3. Take any other action and execute any other document that is
24 reasonably necessary to implement and maintain the state's election

1 to participate in the federal credit program for contributions to
2 Scholarship Granting Organizations.

3 C. For purposes of this section:

4 1. "Scholarship Granting Organization" or "SGO" means an
5 organization that:

6 a. is exempt from federal income tax under Section
7 501(c)(3) of the Internal Revenue Code and is not a
8 private foundation, and

9 b. satisfies the requirements applicable to scholarship
10 granting organizations under Section 25F of the
11 Internal Revenue Code, as added by Pub. L. No. 119-21,
12 including requirements relating to scholarship
13 purpose, eligible students, non-earmarking of
14 contributions, and expenditure and reporting
15 standards; and

16 2. "Participating state" has the meaning assigned by Section
17 25F of the Internal Revenue Code of 1986 and related federal
18 guidance.

19 D. The Oklahoma Tax Commission shall:

20 1. Coordinate, to the extent necessary, the administration of
21 this section with the existing income tax credit provided in Section
22 2357.206 of Title 68 of the Oklahoma Statutes for contributions to
23 scholarship granting organizations and related entities;

1 2. Promulgate such rules, forms, and procedures as are
2 necessary to:

- 3 a. register and oversee Scholarship Granting
4 Organizations for purposes of this section,
- 5 b. collect and transmit information required by the
6 Secretary of the Treasury or the Internal Revenue
7 Service concerning qualified contributions, qualified
8 organizations, and scholarship awards, and
- 9 c. inform taxpayers and Scholarship Granting
10 Organizations of the interaction between the federal
11 credit under Section 25F of the Internal Revenue Code
12 of 1986 and any state-level income tax credit allowed
13 under Section 2357.206 of Title 68 of the Oklahoma
14 Statutes, including any reduction in the federal
15 credit on account of a state credit for the same
16 contribution; and

17 3. Ensure, to the extent required by federal law, that
18 Scholarship Granting Organizations:

- 19 a. award scholarships to eligible students for qualified
20 education expenses as defined in Section 530(b)(3)(A)
21 of the Internal Revenue Code,
- 22 b. do not earmark contributions for specific students,
23 and

1 c. comply with any income-eligibility, anti-self-dealing,
2 and minimum scholarship-expenditure requirements
3 imposed under Section 25F of the Internal Revenue Code
4 of 1986 and federal guidance.

5 E. The election made pursuant to subsection A of this section
6 shall remain in effect for all tax years for which federal law
7 permits state participation in the credit program, unless repealed
8 or modified by an act of the Legislature or unless federal law is
9 amended to terminate or materially alter participating-state status.

10 SECTION 2. This act shall become effective July 1, 2026.

11 SECTION 3. It being immediately necessary for the preservation
12 of the public peace, health or safety, an emergency is hereby
13 declared to exist, by reason whereof this act shall take effect and
14 be in full force from and after its passage and approval.

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