

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 HOUSE BILL 3704

By: Caldwell (Chad)

6 AS INTRODUCED

7 An Act relating to revenue and taxation; electing the  
8 State of Oklahoma to participate in the federal  
9 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  
10 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  
11 the Oklahoma Tax Commission to promulgate necessary  
rules, forms, and procedures; directing the Oklahoma  
12 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;  
13 providing for codification; providing an effective  
date; and declaring an emergency.  
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19 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

20 SECTION 1. NEW LAW A new section of law to be codified

21 in the Oklahoma Statutes as Section 2357.901 of Title 68, unless  
22 there is created a duplication in numbering, reads as follows:

23 A. The State of Oklahoma hereby elects to participate, to the  
24 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  
24

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

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 statu

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

SECTION 3. It being immediately necessary for the preservation

2 of the public peace, health or safety, an emergency is hereby

3 declared to exist, by reason whereof this act shall take effect and

4 be in full force from and after its passage and approval.

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