

Senate Engrossed

federal tax credit; authorization; scholarships

State of Arizona  
Senate  
Fifty-seventh Legislature  
Second Regular Session  
2026

# SENATE BILL 1142

AN ACT

AMENDING TITLE 43, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 18;  
RELATING TO SCHOLARSHIP ORGANIZATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 43, Arizona Revised Statutes, is amended by adding  
3 chapter 18, to read:

4 CHAPTER 18

5 SCHOLARSHIP GRANTING ORGANIZATIONS

6 ARTICLE 1. GENERAL PROVISIONS

7 43-1801. State election to participate; federal tax credit  
8 for individual contributions to scholarship  
9 granting organizations

10 A. THIS STATE ELECTS TO PARTICIPATE IN THE FEDERAL TAX CREDIT  
11 ESTABLISHED BY SECTION 25F OF THE INTERNAL REVENUE CODE FOR INDIVIDUALS  
12 WHO MAKE QUALIFIED CONTRIBUTIONS TO SCHOLARSHIP GRANTING ORGANIZATIONS.

13 B. THE DEPARTMENT SHALL COMPLY WITH ALL FEDERAL LAWS AND  
14 REGULATIONS TO ADMINISTER THE FEDERAL TAX CREDIT ESTABLISHED BY SECTION  
15 25F OF THE INTERNAL REVENUE CODE TO ENSURE THIS STATE IS ELIGIBLE TO  
16 PARTICIPATE IN TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2026  
17 AND ANNUALLY SUBMIT ALL OF THE REQUIRED INFORMATION TO THE UNITED STATES  
18 SECRETARY OF THE TREASURY FOR PARTICIPATION.

19 43-1802. Scholarship granting organizations; certification;  
20 list; rules

21 A. A NONPROFIT ORGANIZATION IN THIS STATE THAT IS EXEMPT OR THAT  
22 HAS APPLIED FOR EXEMPTION FROM FEDERAL TAXATION UNDER SECTION 501(c)(3) OF  
23 THE INTERNAL REVENUE CODE MAY APPLY TO THE DEPARTMENT FOR CERTIFICATION AS  
24 A SCHOLARSHIP GRANTING ORGANIZATION, AND THE DEPARTMENT SHALL CERTIFY THAT  
25 THE SCHOLARSHIP GRANTING ORGANIZATION MEETS THE REQUIREMENTS OF SECTION  
26 25F OF THE INTERNAL REVENUE CODE AND THE APPLICABLE REGULATIONS OR  
27 GUIDANCE ISSUED BY THE UNITED STATES SECRETARY OF THE TREASURY.

28 B. ON OR BEFORE JANUARY 1 OF EACH YEAR, THE DEPARTMENT SHALL:

29 1. SUBMIT TO THE UNITED STATES SECRETARY OF THE TREASURY A LIST OF  
30 THE SCHOLARSHIP GRANTING ORGANIZATIONS THAT ARE CERTIFIED PURSUANT TO THIS  
31 SECTION AND THAT ARE LOCATED IN THIS STATE.

32 2. POST THE LIST SUBMITTED PURSUANT TO PARAGRAPH 1 OF THIS  
33 SUBSECTION ON THE DEPARTMENT'S OFFICIAL WEBSITE.

34 C. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS  
35 AND PROCEDURES NECESSARY TO ADMINISTER THIS SECTION.

36 43-1803. Scholarships

37 FROM AND AFTER DECEMBER 31, 2026, A SCHOLARSHIP GRANTING  
38 ORGANIZATION THAT IS CERTIFIED BY THE DEPARTMENT AND ON THE LIST SUBMITTED  
39 PURSUANT TO SECTION 43-1802, SUBSECTION B, PARAGRAPH 1 MAY PROVIDE  
40 SCHOLARSHIPS TO ELIGIBLE STUDENTS FOR ANY QUALIFIED ELEMENTARY OR  
41 SECONDARY EDUCATION EXPENSES TO THE EXTENT ALLOWED UNDER FEDERAL LAW.