



GOVERNOR GREG GIANFORTE  
DIRECTOR BRENDAN BEATTY

TO: Revenue Interim Committee

FROM: Aaron McNay, Tax Policy and Research

DATE: January 26, 2026

RE: 2026 Report on Student Scholarship Organization Credit

CC:

The Department of Revenue is required by 15-30-3112, MCA to make a report to the Revenue and Transportation Interim Committee on the Student Scholarship Organization Credit. This memorandum briefly describes the Student Scholarship Credit and reports on the use of the credit over the previous five years.

Starting in tax year 2016, individuals and corporations were allowed to claim a credit for donations made to student scholarship organizations during the tax year. The credit was non-refundable and was equal to the amount of the donation, but could not exceed \$150 per taxpayer. The credit was limited to \$3 million in total donations each tax year, with the possibility of increasing the credit in future years. To claim the credit, a taxpayer must have donated the claimed funds directly to the student scholarship organization before the end of the tax year and could then claim the donation on their tax return.

The Student Scholarship Organization credit was modified during the 2021 legislature. Starting in tax year 2022, the maximum credit amount each taxpayer could claim was increased from \$150 to \$200,000. In addition, taxpayers could carry forward unused credit amounts for up to 3 years. The changes also included a reduction in the maximum number of donations that would qualify for the credit, with a maximum of \$1 million in credits for tax year 2022 and \$2 million in tax year 2023.

The 2023 Legislature increased maximum number of credits that could be claimed to \$5 million starting tax year 2024. Starting tax year 2025 the maximum number of credits that could be claimed were set to increase by 20% each following tax year if at least 80% of the maximum number of credits claimed for the previous tax year were claimed. The maximum number of credits claimed were reached for both tax years 2025 and 2026, with \$6 million claimed for 2025 and \$7.2 million in 2026. However, the total revenue impact of the claimed credits for tax year 2025 and 2026 will not be known until taxpayers file their returns for the corresponding tax years.

Based on personal income tax returns received and processed by the department through February 2026, the Student Scholarship Organization Credit was claimed on 174 personal income tax returns for tax year 2024. The total credit amount claimed on the returns for 2024 was \$4,334,797. The number of credits claimed in tax year 2024 was a significant increase from the previous years. In tax years 2022 and 2023, a total of \$819,808 and \$2,047,046 in credits were claimed, respectively.

The Student Scholarship Organization Credit is non-refundable. This means that all of the credits reported on each taxpayer’s return may not be used if the taxpayer lacked sufficient tax liabilities. Because of this, the actual revenue impact to the state can be less than the total number of credits reported on returns. When compared to each taxpayer’s tax liability, the total number of usable credits for tax year 2024 decreased from \$4,334,797 to \$3,702,601, a decrease of more than \$600,000. However, taxpayers can carryforward any un-used tax credits for up to 3 years.

C-Corporate income tax returns received and processed by the department through February 2026 reported approximately \$336,000 in credits for tax years 2021 through 2024. The total number of returns claiming the credit were less than 10 each tax year. Unlike individual income tax returns, the total number of credits reported on C-Corporation returns are already adjusted to match the taxpayer tax liability, so the entire \$336,104 in credits for the four tax years were usable to taxpayers.

Figure 1						
Tax Year	Individual Income Tax Credits Claimed				C-Corporation Income Tax Credits Claimed	
	Returns	Total Credits	Usable Credits	Unused Credits	Returns	Total Credits Claimed
2020	43	\$6,211	\$5,862	\$349	0	\$0
2021	55	\$8,139	\$7,139	\$1,000	*	\$70
2022	60	\$819,808	\$750,964	\$68,844	*	\$4,925
2023	56	\$2,047,046	\$1,681,859	\$365,187	*	\$210,146
2024	174	\$4,334,797	\$3,702,601	\$632,196	*	\$120,963

\* Not Disclosed Due to Confidentiality Requirements