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Kevin Salinger
Acting Assistant Secretary for Tax Policy
U.S. Department of the Treasury
Washington, DC 20220

In re: Federal Scholarship Tax Credit Proposed Regulations; REG-117199-25; 91 FR 62818

Dear Acting Assistant Secretary Salinger:

On behalf of the undersigned national education, workforce, and employer organizations, we write in response to the proposed regulations implementing the Federal Scholarship Tax Credit (FSTC) under section 25F of the Internal Revenue Code.[1] Our organizations serve different communities and view aspects of the FSTC differently. Yet, we share a common interest in ensuring that students can access the high-quality Career and Technical Education (CTE) opportunities that prepare them for further education and well-paying careers.

We therefore write to urge the Treasury Department (Treasury) to affirm in the final regulations that scholarship granting organizations (SGOs) may support these opportunities and that the proposed safe harbor provisions apply to them on the same terms as other targeted educational services.

Despite broad, bipartisan support in Congress and the Administration's existing commitment to expanding career preparation opportunities for the nation's students, the current FSTC regulations do not address CTE in any meaningful way. We therefore offer three recommendations to ensure a future final rule aligns with these shared priorities and that students, particularly those from low-income families and rural communities, can leverage these scholarships to pursue the education and training they need for career and lifelong success.

High-quality CTE has several defining features that the federal government has long recognized and supported. These elements include early postsecondary opportunities such as dual and concurrent enrollment; work-based learning experiences, including the services that connect students with employers and make these experiences possible; and the attainment of industry-recognized credentials that are valued by employers and within the wider economy. Critically, these program design elements are already expectations in federal law as described further in this letter. High-quality CTE experiences are also central priorities of the Trump Administration, as reflected through Executive Order 14278[2] and as identified throughout "America's Talent Strategy."[3] The One Big Beautiful Bill Act (OB3), the same law that created the FSTC, also established Workforce Pell to support short-term career preparation programs, reflecting clear Congressional intent to expand access to education that leads to rewarding careers with family-sustaining wages.

Recommendation 1: Confirm that core components of high-quality CTE are qualified expenses.
The Carl D. Perkins Career and Technical Education Act (Perkins V), the primary federal investment in CTE, already requires every state to measure secondary CTE program quality by the percentage of students who

[1] https://www.federalregister.gov/documents/2026/10/02/2026-20277/federal-scholarship-tax-credit

[2] https://www.federalregister.gov/documents/2025/04/28/2025-07369/preparing-americans-for-high-paying-skilled-trade-jobs-of-the-future

[3] https://www.dol.gov/sites/dolgov/files/OPA/newsreleases/2025/08/Americas-Talent-Strategy-Building-the-Workforce-for-the-Golden-Age.pdf

earn recognized postsecondary credentials, earn postsecondary credit through dual or concurrent enrollment, or participate in work-based learning.[4] Perkins V also authorizes local funds to support each of these activities, along with the co-curricular leadership and skill-development experiences through which students apply their technical training in competitive and real-world settings. Congress has therefore implicitly identified these components as essential to high-quality CTE programming.

Treasury should therefore confirm within forthcoming guidance under section 530(b)(3)(A) of the Internal Revenue Code that the following are qualified elementary or secondary education expenses when incurred in connection with a student's enrollment or attendance at an otherwise eligible school:

- Costs and fees associated with work-based learning experiences, including transportation to placements; required tools, equipment, and safety gear; placement, coordination, and support services provided by the school or through a documented school arrangement with an intermediary or employer partner to facilitate a student's full participation in these experiences;
- Tuition, fees, books, and materials for dual enrollment, concurrent enrollment, and other forms of early postsecondary coursework, including where the institution of higher education bills students directly;
- Examination and assessment fees for industry-recognized credentials, along with preparation coursework and required materials; and
- Fees and travel associated with co-curricular skill-development and leadership activities that are part of a student's CTE program of study, such as through Career and Technical Student organization participation.

Treasury should also confirm that an institution of higher education, intermediary, or credentialing entity that delivers these services may be paid directly as a verified vendor under proposed § 1.25F-3(c)(5)(iv), and that costs a school passes through from these partners may be paid to the school under § 1.25F-3(c)(5)(iii), so that FSTC scholarship funds can reach the entities that provide them.

Recommendation 2: Extend the safe harbor for student eligibility to high-quality CTE opportunities.
Proposed § 1.25F-3(c)(6)(iii)(C) provides that an SGO may treat students receiving scholarships for individual academic tutoring or special needs services as satisfying the income eligibility requirement without the need for additional income verification when these students are selected based on their individual needs and their school is located in, or at least 80 percent of its students reside in, a qualified census tract (QCT). Treasury should extend this safe harbor to the CTE opportunities described above.

Treasury should interpret the statute to provide the same flexibility for a student seeking hands-on technical training, a work-based learning experience that prepares them for employment, or postsecondary coursework that accelerates their education as it does for a student seeking tutoring or special needs services. Each of these uses of FSTC funds are similarly targeted educational services that address an individual student's needs. They ensure that students, particularly those from low-income families, can fully participate in their education while gaining the skills and engaging in the experiences necessary to pursue further education and family-sustaining careers. For these students, the costs of postsecondary coursework, credentials of value, and travel to work-based learning experiences or other opportunities to apply their learning in real-world settings are often the barrier to full participation.

[4] https://octae.ed.gov/cte/accountability/core-indicators

In extending the safe harbor, Treasury should rely on the quality assurance mechanisms states already use within Perkins V. An eligible service should qualify when it is aligned with a state- or locally-approved program of study, leads to a credential that is included on a state-approved list, or if such services were identified through an individualized career and academic plan or similar school-based process. These existing structures already ensure program quality and alignment with labor market needs, making the requirements outlined in this proposal related to tutoring in § 1.25F-3(c)(6)(iii)(C)(2), unnecessary in the context of high quality CTE. Applying the safe harbor provision in this way would give families greater flexibility to pursue the opportunities best suited to a student's future while furthering the Administration's goal of preparing more Americans for the skilled jobs of the future.

Recommendation 3: Expand the geographic eligibility criteria for the safe harbor to better account for rural and small-town poverty.

Treasury should expand the geographic criteria under proposed § 1.25F-3(c)(6)(iii)(C) so that students in rural and small-town communities can qualify for the safe harbor provision outlined above. Specifically, Treasury should add a third element under which the safe harbor applies to schools located in a local educational agency (LEA) with a school-age poverty rate of at least 20 percent, as measured by the Census Bureau's Small Area Income and Poverty Estimates (SAIPE).

Qualified census tracts were designed for entirely different purposes and related use cases, relying on census-tract geography that may inadequately capture concentrated poverty in rural and smaller communities. Rural tracts tend to be geographically large and economically mixed and statutory caps on the share of an area's population that may be designated limit how many rural tracts qualify. The preamble estimates that the safe harbor as proposed would reach relatively few students. SAIPE, by contrast, provides annual estimates of the number and percentage of children ages 5 through 17 in families in poverty for every school district in the country.

Critically, federal education legislation already relies on this measure at this threshold. For instance, eligibility for the Rural and Low-Income School program under Title V, Part B of the Elementary and Secondary Education Act (ESEA) is determined by identifying at least 20 percent of the students served by an LEA who are from families with incomes below the poverty line, as determined using SAIPE data. Similarly, Title I formula allocations under (ESEA) are also determined using these same data. A district-level SAIPE threshold would therefore give Treasury an administrable, objective, and familiar federal measure that better captures economically disadvantaged communities that QCTs are more likely to miss.

This change matters especially for students in rural communities who often depend on regional technical centers, community college partners, and employers located much further from their home school to access dual enrollment, work-based learning, and credentialing opportunities. Extending the safe harbor provision to high-poverty rural LEAs would help ensure that these students are not left behind as the FSTC is implemented.

These three recommendations are consistent with the OB3 statute, longstanding federal CTE and education policy, and with the Administration's stated priorities aiming to prepare Americans for high-paying, in-demand jobs. We share the common goal of ensuring that the FSTC, wherever it operates, supports opportunities for students to build the skills, earn credentials, and engage in the experiences needed for success that prepare them for success in further education and rewarding careers. We urge Treasury to incorporate these recommendations in the final regulations and stand ready to support successful implementation.

Sincerely,

<undersigned organizations>