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Jay D. Hartz
Director

MEMORANDUM

TO: Michael R. Wilson, Secretary of State, Office of Business

FROM: Ange Darnell, Regulations Compiler

RE: Proposed Amendment or New Regulation – 030 KAR 001:060.

DATE: July 22, 2026

A copy of the administrative regulation listed above is enclosed for your files. This regulation is **tentatively** scheduled for review by the Administrative Regulation Review Subcommittee at its **NOVEMBER 2026** meeting. We will notify you of the date and time of this meeting once it has been scheduled.

Pursuant to KRS 13A.280, ***if*** comments are received during the public comment period, a Statement of Consideration or a one-month extension request for this regulation is due **by noon on November 15, 2026**. Please reference KRS 13A.270 and 13A.280 for other requirements relating to the public hearing and public comment period and Statements of Consideration.

If you have questions, please contact us at RegsCompiler@LRC.ky.gov or (502) 564-8100.

Enclosures

SECRETARY OF STATE

Office of Business Services

(New Administrative Regulation)

30 KAR 1:060. Scholarship Granting Organizations.

RELATES TO: 26 U.S.C. § 25F, 2026 Ky. Acts ch. 4, KRS 14A.2-050, 14A.2-060

STATUTORY AUTHORITY: 2026 Ky. Acts ch. 4, Section 1(3), KRS 14A.2-050(3), 14A.2-060(1)(p)

CERTIFICATION STATEMENT: This is to certify that this administrative regulation is in compliance with the requirements of 2025 Ky. Acts ch. 6, Section 8(2). This administrative regulation is being promulgated to meet the January 1 deadline established by 2026 Ky. Acts ch. 4 for submission of the list described in 26 U.S.C. § 25F(g).

NECESSITY, FUNCTION, AND CONFORMITY: House Bill 1 (2026 RS) requires the Secretary of State to submit to the Internal Revenue Service the list described in 26 U.S.C. § 25F(g). This administrative regulation establishes the filing procedures, declaration form, filing fee, annual audit filing requirement, and annual process for inclusion on the list submitted by the Secretary of State to the Internal Revenue Service.

Section 1. Definitions.

(1) “Eligible expenses” has the same meaning as set forth in 26 U.S.C. § 530(b)(3)(A).

(2) “Eligible student” has the same meaning as set forth in 26 U.S.C. § 25F(c)(2).

(3) “Entity” is defined by KRS 14A.1-070(7).

(4) “Foreign entity” is defined by KRS 14A.1-070(10).

(5) "Qualified contributions" has the same meaning as set forth in 26 U.S.C. § 25F(c)(3).

(6) "Scholarship Granting Organization" or "SGO" has the same meaning as set forth in 26 U.S.C. § 25F(c)(5).

(7) "School" means:

(a) A common school as defined by KRS 158.030(1); or

(b) A nonpublic school defined by 704 KAR 3:315, including but not limited to a private, parochial, home-based, church school, or charter school.

(8) "Student" means a student enrolled in kindergarten through grade twelve (K–12) who is subject to compulsory attendance requirements pursuant to KRS 158.030.

Section 2. Filing Procedures.

(1) An entity or foreign entity seeking inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F as a Scholarship Granting Organization shall file the "Declaration of Scholarship Granting Organization", incorporated by reference in this administrative regulation.

(2) The declaration shall be filed with the Secretary of State no later than November 30 prior to the first year in which the entity or foreign entity seeks inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to this administrative regulation.

(3) The filing shall be accompanied by:

(a) A copy of a favorable determination letter issued by the Internal Revenue Service recognizing the entity or foreign entity as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code; and

(b) The $15 filing fee established by KRS 14A.2-060(1)(p).

(4) The Secretary of State shall annually submit to the Internal Revenue Service a list consisting of entities and foreign entities that have satisfied the filing requirements of this administrative regulation.

(5) Acceptance of a filing by the Secretary of State shall not constitute a determination that the entity or foreign entity satisfies the requirements of 26 U.S.C. § 25F.

Section 3. Annual Audit Filing Requirement.

(1) Beginning in the calendar year following inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to this administrative regulation, each Scholarship Granting Organization shall annually file with the Secretary of State, no later than November 30, an independent audit prepared by a certified public accountant licensed pursuant to KRS 325.290.

(2) The audit shall be accompanied by the $15 filing fee established by KRS 14A.2-060(1)(p).

(3) The audit shall include the certified public accountant's verification that the Scholarship Granting Organization satisfied the requirements of 26 U.S.C. § 25F during the prior calendar year, including verification that the Scholarship Granting Organization:

(a) maintained one or more separate accounts exclusively for qualified contributions;

(b) awarded scholarships to at least ten (10) eligible students that did not all attend the same school;

(c) spent not less than 90 percent of the income of the organization on scholarships for eligible students;

(d) used scholarship funds only for eligible expenses;

(e) applied scholarship selection criteria that prevented earmarking or setting aside qualified contributions for the benefit of any particular student while giving priority to students that were awarded a scholarship the previous year and students who have a sibling who was awarded a scholarship from the SGO;

(f) verified the household income and family size of students that applied for scholarships and that the students that were awarded scholarships did not exceed 300 percent of the area median gross income; and

(g) continued throughout the prior calendar year to be recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code.

(4) The audit shall be open to public inspection and copying under the Kentucky Open Records Act; however, no personally identifiable information concerning the identity of students or the income eligibility of any particular student's household shall be included in the audit.

(5) An entity or foreign entity that fails to submit the audit required by this section shall not be included on the annual list submitted by the Secretary of State to the Internal Revenue Service pursuant to this administrative regulation.

Section 4. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "Declaration of Scholarship Granting Organization", July 2026.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Secretary of State's office, 700 Capital Avenue, State Capitol, Suite 152, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m., or may be obtained from the Secretary of State's website at http://www.sos.ky.gov

Michael G. Adams

Michael G. Adams

Secretary of State

Commonwealth of Kentucky

APPROVED BY AGENCY: July 22, 2026

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public hearing on this administrative regulation shall be held on Tuesday, October 27, 2026, at 9:00 a.m. EST, at the Office of the Secretary of State. Individuals interested in being heard at this hearing shall notify this agency in writing by five (5) work days prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until October 31, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Michael R. Wilson, Director, Office of Business, 700 Capital Avenue, State Capitol, Suite 152, Frankfort, Kentucky 40601, phone (502) 782-7422, fax (502) 564-5687, email michael.wilson@ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

30 KAR 1:060
Contact Person: Michael R. Wilson, Director, Office of Business Services
Phone: (502) 782-7422
Email: michael.wilson@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes the procedures by which an entity or foreign entity may seek inclusion on the annual list of Scholarship Granting Organizations submitted by the Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F(g), including the required declaration, filing procedures, annual audit filing requirement, and related filing process.
(b) The necessity of this administrative regulation: This administrative regulation is necessary to implement 2026 Ky. Acts ch. 4 (House Bill 1).
(c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation establishes the filing procedures, declaration, annual audit filing requirement, and reporting process necessary to implement the duties assigned to the Secretary of State by 2026 Ky. Acts ch. 4.
(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation provides a standardized process for receiving, reviewing, maintaining, and transmitting Scholarship Granting Organization filings using the existing business filing infrastructure administered pursuant to KRS Chapter 14A.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: N/A.
(b) The necessity of the amendment to this administrative regulation: N/A.
(c) How the amendment conforms to the content of the authorizing statutes: N/A.
(d) How the amendment will assist in the effective administration of the statutes: N/A.

(3) Does this administrative regulation implement legislation from the previous five (5) years?

Yes. This administrative regulation implements 2026 Ky. Acts ch. 4 (House Bill 1).

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

The regulation affects nonprofit entities and foreign nonprofit entities seeking inclusion on the annual list submitted by the Secretary of State to the Internal Revenue Service as Scholarship Granting Organizations pursuant to 26 U.S.C. § 25F.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment: An applicant shall file the Declaration of Scholarship Granting Organization, provide a copy of its IRS favorable determination letter, pay the statutory filing fee, and, after inclusion on the annual list, annually file the required independent CPA audit together with the applicable statutory filing fee.
(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4): Compliance requires payment of the statutory $15 filing fee for the initial declaration and the annual audit filing, together with the cost of obtaining the independent CPA audit required by this administrative regulation.
(c) As a result of compliance, what benefits will accrue to the entities identified in question (4): Compliance enables an eligible entity to be included on the annual list submitted by the Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F.

(6) Provide an estimate of how much it will cost to implement this administrative regulation:

(a) Initially: Minimal administrative costs are anticipated.
(b) On a continuing basis: Minimal continuing administrative costs are anticipated.

(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

Existing resources of the Office of the Secretary of State together with filing fee revenue authorized by statute.

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation:

No increase in fees or funding will be necessary.

(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

This administrative regulation references the $15 filing fee established by KRS 14A.2-060(1)(p) and does not establish or increase any fees.

(10) TIERING: Is tiering applied?

Tiering was not appropriate because this administrative regulation applies equally to all similarly situated entities and foreign entities seeking inclusion on the annual list.

FISCAL IMPACT STATEMENT

30 KAR 1:060
Contact Person: Michael R. Wilson, Director, Office of Business Services
Phone: (502) 782-7422
Email: michael.wilson@ky.gov

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation: 2026 Ky. Acts ch. 4, Section 1; KRS 14A.2-050(3); KRS 14A.2-060(1)(p); and 26 U.S.C. § 25F.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: Yes. This administrative regulation is expressly authorized by 2026 Ky. Acts ch. 4 (House Bill 1).

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: Office of the Secretary of State, Office of Business Services.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year: Administrative expenditures associated with implementation are expected to be minimal and will be supported by the filing fee authorized by statute.
For subsequent years: Continuing administrative expenditures are expected to be minimal and will be supported by the filing fee authorized by statute.

2. Revenues:

For the first year: Miscellaneous filing fee revenue may be generated pursuant to KRS 14A.2-060(1)(p).
For subsequent years: Continuing miscellaneous filing fee revenue may be generated pursuant to KRS 14A.2-060(1)(p).

3. Cost Savings:

For the first year: None anticipated.
For subsequent years: None anticipated.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): None.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:
For the first year: None.
For subsequent years: None

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): Nonprofit entities and foreign nonprofit entities seeking inclusion on the list of Scholarship Granting Organizations submitted by the Kentucky Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year: Nonprofit entities seeking inclusion on the annual list submitted to the Internal Revenue Service will incur the $15 filing fee established by KRS 14A.2-060(1)(p) for filing the Declaration of Scholarship Granting Organization.

For subsequent years: Continuing nonprofit entities will incur the $15 filing fee established by KRS 14A.2-060(1)(p) for filing the required annual audit and the cost of obtaining the certified public accountant audit required by this administrative regulation.

2. Revenues:

For the first year: None.

For subsequent years: None.

3. Cost Savings:

For the first year: None.

For subsequent years: None.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: The administrative regulation establishes a uniform filing process, annual audit filing requirement, and annual reporting process necessary to implement 2026 Ky. Acts ch. 4. Administrative costs to the Office of the Secretary of State are expected to be minimal and will be supported by the filing fee authorized by statute. Regulated entities will incur the statutory filing fee and costs associated with obtaining the required CPA audit.

(b) Methodology and resources used: The Office reviewed the statutory filing requirements established by 2026 Ky. Acts ch. 4, existing filing infrastructure under KRS Chapter 14A, anticipated filing volumes, and existing agency resources in determining the anticipated fiscal impact.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a “major economic impact”, as defined by KRS 13A.010(13): The Office concludes that this administrative regulation will not have a major economic impact as defined by KRS 13A.010(13).

(b) The methodology and resources used to reach this conclusion: This conclusion is based upon the limited scope of the filing requirements, the minimal statutory filing fee, the use of existing filing infrastructure administered by the Office of the Secretary of State, and the Office's assessment that the combined implementation and compliance costs will not meet the threshold established by KRS 13A.010(13).

SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

The "Declaration of Scholarship Granting Organization", July 2026, is a three (3) page declaration required to be filed by domestic entities and foreign entities seeking inclusion on the annual list of Scholarship Granting Organizations submitted by the Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F(g). The declaration requires the filer to provide the information, certifications, and a copy of the favorable determination letter issued by the Internal Revenue Service recognizing the filer as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a), as required by 30 KAR 1:060.

COMMONWEALTH OF KENTUCKY
MICHAEL G. ADAMS, SECRETARY OF STATE

Office of Business Filings
P.O. Box 718
Frankfort, KY 40602
(502) 564-3490
www.sos.ky.gov

DECLARATION OF SCHOLARSHIP GRANTING ORGANIZATION

SGO

(Domestic or Foreign Entity)

IMPORTANT NOTICE: This form will not be accepted for filing unless it is accompanied by (i) a copy of the Organization's favorable determination letter issued by the Internal Revenue Service ("IRS") recognizing the Organization as described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code and (ii) the required $15 filing fee payable to the Kentucky State Treasurer.

I, ______________________________, state as follows:

1. I am an officer or other duly authorized representative of ______________________________ ("Organization").

2. The Organization is:

☐ A domestic entity organized in Kentucky

☐ A foreign entity authorized to transact business in Kentucky

3. The Organization seeks inclusion on the list of Scholarship Granting Organizations submitted by the Kentucky Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F.

4. I affirm under penalty of perjury that the Organization satisfies the requirements of 26 U.S.C. § 25F(d), including the following:

(a) The Organization will provide scholarships to ten (10) or more students who do not all attend the same school;

(b) The Organization will spend not less than ninety (90) percent of the total annual revenues of the Organization on scholarships for eligible students;

(c) The Organization will not provide scholarships for expenses other than qualified elementary or secondary education expenses;

(d) The Organization will provide scholarships to eligible students with priority given to:

1. students awarded a scholarship during the previous school year; and

2. after application of subparagraph 1 of this paragraph, eligible students who have a sibling awarded a scholarship from the Organization;

(e) The Organization will not earmark or set aside contributions for scholarships on behalf of any particular student; and

(f) The Organization:

1. will verify the annual household income and family size of eligible students applying for scholarships to ensure eligibility under 26 U.S.C. § 25F(c)(2)(A);

2. will limit the awarding of scholarships to eligible students who are members of households with income not exceeding the amount established by 26 U.S.C. § 25F(c)(2)(A);

3. has received a favorable determination letter issued by the Internal Revenue Service recognizing the Organization as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code; and

4. is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

5. Attached to this declaration is the Organization's favorable determination letter issued by the Internal Revenue Service recognizing the Organization as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code.

I declare under penalty of perjury under the laws of Kentucky that the foregoing is true and correct.

Signature of Authorized Representative	Printed Name	Title	Date

FILING INSTRUCTIONS
DECLARATION OF SCHOLARSHIP GRANTING ORGANIZATION

WHO MAY SIGN
The declaration shall be signed by an officer or other duly authorized representative of the Organization.

WHEN TO FILE
An entity or foreign entity seeking inclusion on the list submitted by the Secretary of State to the Internal Revenue Service pursuant to 26 U.S.C. § 25F shall file this declaration no later than November 30 prior to the first year in which the entity or foreign entity seeks inclusion on the list.

TAX EXEMPT DETERMINATION LETTER
Each entity or foreign entity seeking inclusion on the list submitted by the Secretary of State to the Internal Revenue Service as a Scholarship Granting Organization pursuant to 26 U.S.C. § 25F shall file this completed declaration together with a favorable determination letter issued by the Internal Revenue Service recognizing the Organization as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code.

FILING FEE
The filing fee for this declaration is $15.00. Checks shall be made payable to the "Kentucky State Treasurer."

DOCUMENT DELIVERY
This document may be mailed, physically delivered, or electronically transmitted for filing, as available. A file stamped postcard will be sent to the Organization address once filed. If the Organization wishes for the document to be sent to an alternate address other than the Organization address, a request must be submitted in writing affirming that request. Alternate address requests must be submitted with each document filed with the Office of the Secretary of State.

EFFECTIVE DATE AND TIME
The document will be effective on the date and time of filing.

NUMBER OF COPIES
If filing via mail or in person, one exact or conformed copy of the documents with the filing fee must be submitted to the address below. To make a copy of the filing for delivery to the local county clerk's office, visit www.sos.ky.gov and print a copy from the online business search tool.

MAILING ADDRESS
Michael Adams
Office of the Secretary of State
P.O. Box 718
Frankfort, KY 40602-0718

OFFICE LOCATION
1025 Capital Center Drive
Suite 201
Frankfort, KY 40601
Hours of Operation: 8:00 AM-4:30 PM ET

CONTACT INFORMATION AND NAME AVAILABILITY
If you have any questions, need additional forms or wish to search for name availability, please feel free to visit our website at www.sos.ky.gov or call (502) 564-3490.