Ohio Scholarship Granting Organization (SGO) Tax Credit

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The holiday season is a time of increased giving, including many nonprofit donation campaigns. It's also the premier time for tax planning. For Ohio filers, don't forget there is still time to qualify for the Ohio Scholarship Donation Credit before the end of the year!

Back in September of 2021, Ohio passed legislation enacting section 5747.73 of the Ohio Revised Code, establishing a nonrefundable state income tax credit for monetary donations to an eligible scholarship granting organization (SGO). The credit can reduce your Ohio tax liability by the total amount donated to SGOs during the tax year up to the max reduction amount of $750 per taxpayer. A taxpayer and spouse filing jointly can reduce their Ohio tax liability up to $1,500.

So, what is a scholarship granting organization? A scholarship granting organization must be certified as such by the Ohio Attorney General's Office. It is a public charity that primarily awards academic scholarships for K- 12th grade students and must prioritize awarding scholarships to low-income students. A list of certified scholarship granting organizations can be found at the attorney generals website at the following link: https://charitable.ohioago.gov/Scholarship-Granting-Organization-Certification/List.

The credit provides the most tax benefit to those who take the standard deduction on their federal income tax return and are not already receiving certain other Ohio tax credits.

The majority of taxpayers take the standard deduction on their federal tax return and will be able to treat all their monetary donations to an SGO during the year as eligible for the Ohio credit. Taxpayers who itemize deductions on their federal return cannot "double dip" by taking an itemized charitable deduction on the federal return and taking the state tax credit. However, if the total amount donated to an SGO exceeds the Scholarship Donation Credit taken on the Ohio return, the excess remaining can be taken as a federal itemized charitable deduction. For example, if a single filing taxpayer made cash donations to an SGO of $1,000 during the tax year, they could potentially qualify for the max $750 credit on their Ohio return in addition to taking the remaining amount of $250 as an itemized charitable deduction on their federal return.

On the Ohio return, the Scholarship Donation Credit must be taken after certain other state tax credits, so certain limitations may apply.

Organizations interested in applying to be certified as an SGO will need to fill out an online application on the Ohio Attorney General's website (https://charitable.ohioago.gov/Scholarship-Granting-Organization-Certification) and provide the additional required documentation. If an organization has not already been certified, it can be certified for 2023, as long as it applies prior to November 30, 2023.

As you are making your end of year holiday charitable giving, the Ohio Scholarship Donation Credit can provide a great overlap between the desire to give back and maximizing tax planning benefits.