

Ohio Scholarship Granting Organization Questions and Answers

What are the Ohio tax credit basics?

Ohio Income Tax Credit is given:

- for cash donations to SGOs made before April 15 of the following tax year
- up to \$1,500 for spouses filing joint return or up to \$750 for individual taxpayers
- investors in pass-through entities may claim their proportionate or distributive share of the credit

The Scholarship Granting Organization must:

- be a 501(c)(3) exempt nonprofit
- be certified by the Ohio Attorney General
- primarily award scholarships to K-12 students
- prioritize low-income students

Forms Preparation:

- Ohio IT 1040, Schedule of Credits, Line 15
- Ohio IT 1040, Line 9
- attach receipt acknowledging the taxpayer's SGO contribution

What are the applicable Ohio laws?

See <https://codes.ohio.gov/ohio-revised-code/section-5747.73> and <https://codes.ohio.gov/ohio-administrative-code/rule-109:1-8-01>

How do I claim the CREDIT?

After you make a donation to your chosen SGO they should provide you with an acknowledgement (receipt) of your donation. You or your tax-preparer should attach the acknowledgement to your Ohio 1040 IT tax form and keep it in your records to substantiate any federal tax deduction claimed.

Can I give less than \$750 and still claim the CREDIT?

Yes. Any amount up to \$750 is creditable, in the amount donated.

Can married taxpayers filing jointly claim a CREDIT of \$1,500?

Yes. Previously the Ohio statute used singular language "a taxpayer" and so it was necessary that both the married partners separately make donations in their individual names before the full \$1,500 could be credited. Recently, the statute was revised and (effective April 3, 2023) it now contemplates that, if filing a joint return, the scholarship credit can be claimed (up to \$1,500) regardless of which spouse makes the donation.

How much Ohio income tax am I paying per year?

Ohio has a graduated income tax rate which for 2022 was –

Tax Rate	Income Range	Taxes Due
0%	\$0 – \$25,000	0% of Income
2.765%	\$25,001 – \$44,250	\$346.16 + 2.765%
3.226%	\$44,250 – \$88,450	\$878.42 + 3.226%
3.688%	\$88,450 – \$110,650	\$2,304.31 + 3.688%
3.990%	\$110,650 or more	\$3,123.05 + 3.990% over \$110,650

So, if your Ohio adjusted gross income (less personal and dependent exemptions) is more than \$44,250 you are likely paying in excess of \$750 of Ohio income taxes. You can verify the amount(s) you paid in prior tax years by looking at your filed Ohio IT 1040 form(s).

Can I donate up until the time when my tax preparer files my tax forms?

You can claim a credit for the prior tax year so long as you donate by April 15th of the following year. You must give by the traditional “tax-day”. If you or your tax preparer plan on filing an extension request, make sure you donate by April 15th if you wish to take advantage of the Ohio SGO income tax credit.

Since the scholarship credit is nonrefundable and I usually get a refund, does that mean the credit wouldn’t benefit me?

The scholarship credit could still be taken, as long as it does not exceed your total Ohio income tax liability. Nonrefundable means merely that you cannot use the credit to create a refund exceeding the tax you owe.

Example 1 – You had \$2,000 in Ohio income taxes withheld during the year, but your Ohio income tax liability is only \$1,750, so (before the donation) you are expecting a refund of \$250. In the same year you make a donation of \$750. You should be able to claim the full \$750 scholarship credit because it is less than your \$1,750 tax liability. And, you might then expect an Ohio income tax refund of \$1,000.

Example 2 – You have \$1,000 in Ohio income taxes withheld during the year, but your Ohio income tax liability is only \$500, so (before the donation) you are expecting a refund of \$500. In the same year you make a donation of \$750. You may claim the credit only up to your \$500 tax liability. So, you might then expect an Ohio income tax refund of \$1,000.

Are SGO donations both a credit against Ohio income tax and a deduction for my Federal income taxes?

Maybe, if you are a line-itemizer with limited SALT deductions. Ask your tax-preparer to consider the following.

If a taxpayer (including a trust or decedent estate) makes a charitable contribution they are ordinarily entitled to a federal tax deduction under IRC 170. However, if the charitable contribution results in a state or local tax credit, the credit is deemed a return benefit, or quid pro quo, and so charitable contribution deduction under IRC 170 is disallowed. Recognizing the unfair consequences resulting from these regulations on line-itemizing taxpayers, the Treasury Department and the IRS have issued guidance providing the following safe-harbor: “An individual who itemizes deductions and makes a payment to a section 170(c) entity in return for a state or local tax credit may treat the portion of such payment that is or will be disallowed as a charitable contribution deduction under section 170 as a payment of state or local tax for purposes of section 164.”

Forms Preparation:

- Form 1040, Schedule A, Lines 5(a), (e) and 6
- Form 1040, Line 12

Treasury Decision 9864, 84 FR 27513

IRS Notice 2019-12

Do donated funds really go to scholarships for K-12 children?

Definitely. Scholarship Granting Organizations must be certified annually and submit information / documentation, to the Ohio Attorney General’s satisfaction, establishing that fact.

In addition to claiming my Ohio income tax CREDIT, are my donations deductible against my federal taxes?

For line itemizers, yes. An individual who itemizes deductions and makes a payment to a tax-exempt entity in return for local or state tax credit may treat the payment as a payment of state or local tax for purposes of section IRC 164. IRS Notice 2019-12

If a taxpayer (including a trust or decedent estate) makes a charitable contribution they are ordinarily entitled to a federal tax deduction under IRC 170. However, if the charitable contribution results in a state or local tax credit, the credit is deemed a return benefit, or quid pro quo, and so charitable contribution deduction under IRC 170 is disallowed. Recognizing the unfair consequences resulting from these regulations on line-itemizing taxpayers, the Treasury Department and the IRS have issued guidance providing the following safe-harbor:

“An individual who itemizes deductions and makes a payment to a section 170(c) entity in return for a state or local tax credit may treat the portion of such payment that is or will be disallowed as a charitable contribution deduction under section 170 as a payment of state or local tax for purposes of section 164.” Treasury Decision 9864, 84 FR 27513

Forms Preparation:

- Form 1040, Schedule A, Lines 5(a), (e) and 6
- Form 1040, Line 12

Do Scholarship Granting Organizations award scholarship only to religious schools?

Many Scholarship Granting Organization have a religious affiliation. Some do not. The law allows SGOs to work with any school (whether they be a chartered nonpublic school or a non-chartered, non-tax supported school) to award academic scholarships to K-12 children, particularly to those in-need.

Do the parents of the students or the schools pay tax on scholarships awarded?

No. Each SGO non-profit should have individual grant-making procedures approved by the IRS which enable scholarship grants to be excludable from recipients’ gross income.

Must the scholarships be given only to low-income students or can others receive awards too?

SGOs may grant academic scholarship awards to students who are not low-income. However, to be annually certified as an SGO, they must prioritize awarding scholarships to low-income K-12 students.

What K-12 school students are considered low-income?

“Low income” means the students household income is under three hundred percent (300%) of the US Census poverty threshold or that the student, or their guardians, receive public assistance (not medical assistance) under a program administered by jobs & family services or a county agency. The 300% low-income poverty threshold is determined based on household income and the number of members of the family. Here is table showing these income numbers, per family size:

Household/ Family Size	Per Year				Household/ Family Size	Per Month			
	100%	200%	300%	400%		100%	200%	300%	400%
1	\$14,580	\$29,160	\$43,740	\$58,320	1	\$1,215	\$2,430	\$3,645	\$4,860
2	\$19,720	\$39,440	\$59,160	\$78,880	2	\$1,643	\$3,287	\$4,930	\$6,573
3	\$24,860	\$49,720	\$74,580	\$99,440	3	\$2,072	\$4,143	\$6,215	\$8,287
4	\$30,000	\$60,000	\$90,000	\$120,000	4	\$2,500	\$5,000	\$7,500	\$10,000
5	\$35,140	\$70,280	\$105,420	\$140,560	5	\$2,928	\$5,857	\$8,785	\$11,713
6	\$40,280	\$80,560	\$120,840	\$161,120	6	\$3,357	\$6,713	\$10,070	\$13,427
7	\$45,420	\$90,840	\$136,260	\$181,680	7	\$3,785	\$7,570	\$11,355	\$15,140
8	\$50,560	\$101,120	\$151,680	\$202,240	8	\$4,213	\$8,427	\$12,640	\$16,853
9	\$55,700	\$111,400	\$167,100	\$222,800	9	\$4,642	\$9,283	\$13,925	\$18,567
10	\$60,840	\$121,680	\$182,520	\$243,360	10	\$5,070	\$10,140	\$15,210	\$20,280
11	\$65,980	\$131,960	\$197,940	\$263,920	11	\$5,498	\$10,997	\$16,495	\$21,993
12	\$71,120	\$142,240	\$213,360	\$284,480	12	\$5,927	\$11,853	\$17,780	\$23,707
13	\$76,260	\$152,520	\$228,780	\$305,040	13	\$6,355	\$12,710	\$19,065	\$25,420
14	\$81,400	\$162,800	\$244,200	\$325,600	14	\$6,783	\$13,567	\$20,350	\$27,133

How do I demonstrate that I'm a low-income student?

Different schools and SGOs ask for different information to substantiate scholarship awards. Examples include: reports prepared by grant/aid assessment partners with whom the school works to collect and verify income information, or proof that the student, or their guardians, receive public assistance.

Can all student parents, grand-parents, aunts and uncles, our teachers, coaches, alumni, benefactors, and other interested community claim the credit?

If they live in Ohio, Yes. Every year, each Ohio income taxpayer can claim their credit. And, even if some individuals among your supporters live out of state, they probably have friends in Ohio they might like to tell.

If the school is located near, but outside, the border of Ohio (in WV, PA, KY, IN, or MI) and a student attending there is an Ohio resident, or, if the school is located near, and inside, the border of Ohio, but a student attending there is not an Ohio resident can the school receive an award on that student's behalf?

Nothing in the statute or rule related to certification as an SGO specifies where the school must be located for a student to receive a scholarship. Also, how the SGO ultimately directs the taxpayer's donation is not something that the Ohio Department of Taxation considers when determining a taxpayer's eligibility for the credit.

Can donors indicate to an SGO that they wish their contribution to benefit a specific school?

Yes. Check that the SGO contribution form contains a memo line/location where you can indicate which school you wish to support. But note, you cannot indicate a specific student(s) to receive your donated funds.