Accounting for the Ohio Scholarship Granting Organization (SGO) Tax Credit: A Guide for Ohio Tax Professionals

Target Audience: CPA practices, Enrolled Agents, and Ohio Tax Practitioners
Topic: Ohio Individual Income Tax Credit for Contributions to Certified Scholarship Granting Organizations (ORC § 5747.73)
Tax Form Reference: Ohio IT 1040, Schedule of Credits (Line 15)

1. Executive Summary

The Ohio Scholarship Granting Organization (SGO) Tax Credit provides a nonrefundable tax credit against Ohio individual income tax liability for taxpayers who make monetary contributions to certified SGOs. Enacted under Ohio Revised Code (O.R.C.) § 5747.73, this tax credit offers practitioners an opportunity to deliver value to clients by directing tax dollars toward primary and secondary school educational scholarships while reducing Ohio income tax liability dollar-for-dollar.

2. Key Statutory Provisions & Credit Mechanics

Tax professionals must evaluate the following statutory requirements when calculating and accounting for the SGO credit for individual tax clients:

- **Maximum Credit Limit:** Up to $750 per individual taxpayer per tax year.
- **Married Filing Jointly (MFJ):** Up to $1,500 for married couples filing jointly, provided both spouses are listed on the donation receipt.
- **Nonrefundable Nature:** The credit may reduce Ohio individual income tax liability down to $0. It cannot generate a tax refund and unused credits cannot be carried forward or carried back to other tax years.
- **Contribution Timing Window:** Contributions made between January 1 and the unextended return filing deadline, April 15, may be elected to apply to either the preceding tax year or the current tax year. For the preceding year, the donation must be given prior to filing.

3. Credit Summary Table

Parameter	Single / MFS	Married Filing Jointly
Maximum Credit Limit	$750	$1,500 ($750 per spouse)
Credit Type	Nonrefundable	Nonrefundable
Carryforward / Carryback	None allowed	None allowed
Statutory Authority	O.R.C. § 5747.73	O.R.C. § 5747.73

4. Step-by-Step Instructions for Reporting on Ohio IT 1040

To claim the credit on behalf of individual taxpayers, tax practitioners should follow these procedures:

1. **Verify SGO Status:** Confirm that the organization receiving the donation is certified by the Ohio Department of Taxation as an eligible Scholarship Granting Organization for the applicable tax year. This can be determined by verifying they are listed on the Attorney General's website under SGOs in the Charitable Organizations section for the year the gift is being claimed.
2. **Review Contribution Receipt:** Obtain and review the formal tax receipt issued by the certified SGO. The receipt must display the taxpayer's name, payment date, amount, and the SGO EIN number. The EIN can also be obtained from the Attorney General website.
3. **Access Ohio Schedule of Credits:** Open the Schedule of Credits attached to Ohio Form IT 1040.
4. **Report on Line 15 (Scholarship Granting Organization Credit):** Enter the total eligible contribution amount on **Line 15** of the Schedule of Credits, subject to the $750 individual limit ($1,500 maximum for MFJ).
5. **Calculate Total Nonrefundable Credits:** Add Line 15 to other applicable nonrefundable credits on the Schedule of Credits and transfer the total nonrefundable credit amount to the designated line on the primary Ohio IT 1040 return.

5. Practitioner Compliance & Best Practices

When advising tax clients on the Ohio SGO tax credit, keep the following considerations in mind:

- **Pre-Credit Tax Liability Evaluation:** Confirm that the taxpayer has sufficient Ohio income tax liability to utilize the credit prior to recommending late-season contributions, as any excess credit amount is lost.
- **Federal Tax Deduction Interaction:** Under Treasury Regulations governing state tax credit offsets, taxpayers claiming a state tax credit cannot claim a federal charitable deduction on Schedule A (Form 1040) for the portion of the contribution offset by the state tax credit. They may however claim a deduction for any excess giving because SGOs are required to be 501(c)(3) organizations.
- **Documentation Retention:** Retain all SGO contribution acknowledgments and election documentation in the taxpayer's permanent file for at least four years following the filing of the return.