Policy Matters Ohio

POLICY BRIEF

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FAQ: Scholarship Granting Organizations and SGO tax credits in Ohio

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What are Scholarship Granting Organizations?

Scholarship Granting Organizations (SGOs) are nonprofit organizations that provide tuition scholarships to students in grades K-12. In Ohio, SGOs must allocate at least 50% of their program service expenses to K-12 student scholarships, prioritizing students from households with income under 300% of the federal poverty level (FPL).[1]

With just three exceptions,[2] SGO scholarships in Ohio cover tuition only at private schools.

The Ohio Attorney General's office maintains a list of certified SGOs. The Attorney General's office certified 72 SGOs in 2025, up from just seven in 2021 — the year Ohio's SGO tax credit took effect.[3]

What do SGOs have to do with funding for public schools?

Ohio gives a dollar-for-dollar tax credit of up to $750 ($1,500 for couples filing jointly) to anyone who donates to an SGO.[4] That money is subtracted directly from the amount of state income taxes owed. In other words, a $750 credit represents $750 that *would have* gone into Ohio's General Revenue Fund (GRF) — the main source of state funding for public schools.

Money diverted from the GRF before it's ever collected is called **forgone revenue**. Ohio forgoes revenue with every SGO tax credit, and both the number of credits and the dollar amount forgone have grown rapidly. In 2021, just 523 filers claimed the SGO credit, diverting $268,616 from Ohio's GRF.[5] In 2023, 21,372 filers claimed it, costing the state

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[1] "Scholarship Granting Organization Certification," Ohio Attorney General, accessed May 8, 2026. FPL is updated annually and varies depending on family size. In 2026, 300% of FPL for a family of four is $99,000. 2026 Poverty Guidelines. U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. "Section 5747.73 | Credit for donations to scholarship organizations," Ohio Laws & Administrative Rules, Legislative Service Commission, accessed May 8, 2026. "Rule 109:1-8-01 | Scholarship granting organizations," Ohio Administrative Code, accessed May 8 ,2026.

[2] Three of Ohio's 72 certified SGOs in 2025 provided scholarships for full-day kindergarten at public schools. (The state of Ohio requires only half-day kindergarten to be available for free.) See Laura Hancock, "Ohio public schools now using tax credit program designed for private schools," Cleveland.com, Feb. 23, 2026.

[3] Two of the 74 SGOs listed on the AG's website are duplicates. The number of distinct SGOs is 72. "List of Certified Scholarship Granting Organizations," Ohio Attorney General, accessed April 9, 2026.

[4] "Scholarship Donation Credit," Ohio Dept. of Taxation, accessed May 8, 2026. Megan Henry, "Ohioans receive millions in tax credits through Scholarship Granting Organizations," Ohio Capital Journal, February 26, 2026.

[5] William M. Ullrich, "Tax Expenditure Report FY 2026-2027: Donations to Scholarship Organizations Credit," Ohio Department of Taxation, September 10, 2024.

$26,808,131 in forgone revenue.[6] That's $26.8 million dollars that Ohio did *not* collect from taxpayers and therefore can't use for public goods such as education, healthcare, and health and human services. K-12 education makes up approximately 26% of state GRF spending each year.[7]

The Ohio Department of Taxation estimated future forgone revenues from the SGO credit at $28.7 million for 2027.[8] That is a very conservative estimate, based on a far slower growth rate (5%) than what occurred in the program's first two years.[9] The legislators who created the SGO credit did not limit how much the state could spend on it; that amount could increase indefinitely, diverting more and more revenue away from Ohio's GRF.

Starting January 1, 2027, the federal government will also offer a federal income tax credit for donations to SGOs. The details are not yet clear, but any tax credit reduces the amount of revenue collected for public services.

Who benefits from SGO scholarships and credits?

We don't know much about who benefits from SGO scholarships, in large part because of inadequate state reporting requirements. About one in three SGOs are exempt from annual reporting requirements on religious grounds. The others must file with the Attorney General's office each year, though the publicly available reports of these filings are not very informative.[10]

Among other shortcomings that limit transparency, the reports do not separate scholarship expenses from "program service expenses." This means that the public cannot determine whether an SGO is fulfilling its obligation to use at least half of its program service expenses on scholarships or to prioritize students from households with income below 300% of the FPL.[11]

We *do* know that the SGO tax credit primarily benefits households with annual income over $100,000. In 2023 (the most recent data available) 77% of filers claiming the credit had income above that amount and received 85% of the dollars from the credit.[12]

Where does the money from SGO scholarships go?

More than 4 out of 5 of the SGOs certified by the Attorney General's office in 2025 report that they award scholarships exclusively to religiously-affiliated schools: 40 Catholic, 18

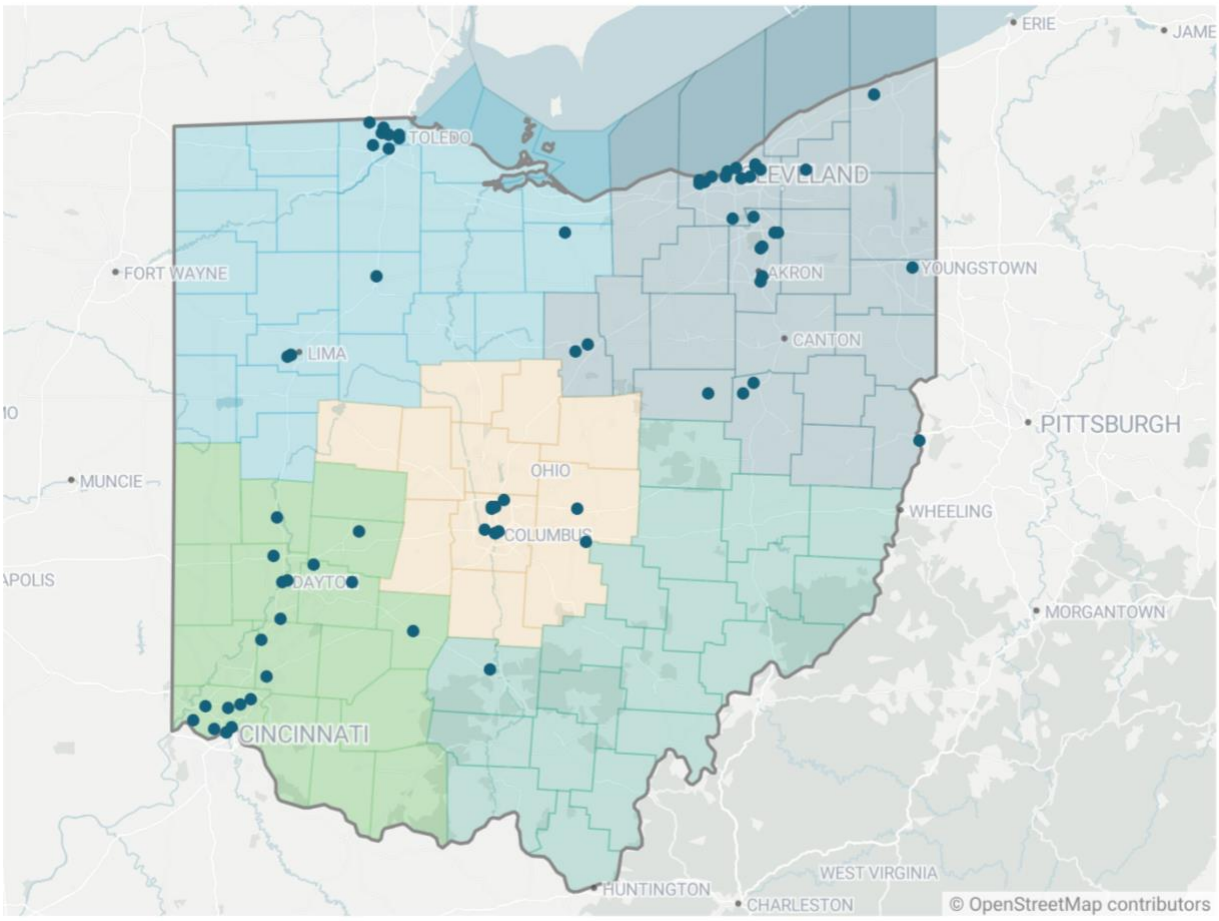
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[6] "Table Y-1: Summary of Ohio Individual Income Tax Returns, Tax Year 2023," Department of Taxation, May 28, 2025. This is the most recent publication available. The Tax Year 2024 data will likely be published later in 2026.
[7] "Main Operating Budget House Bill 96 – As Enacted, Budget in Brief," Legislative Budget Office of the Legislative Service Commission, accessed May 8, 2026.
[8] William M. Ullrich, "Tax Expenditure Report FY 2026-2027: Donations to Scholarship Organizations Credit," Ohio Department of Taxation, September 10, 2024.
[9] The SGO tax credit grew 4,339% between its first two years (2021-2022) and 98% the following year (2022-2023). Calculated using Omni Calculator, accessed April 29, 2026.
[10] "Rule 109:1-1-04 | Annual report," Ohio Administrative Code, accessed May 8, 2026.
[11] Annual reports are available through the Research Charities Tool on the Ohio Attorney General's website. See: Research Charities Tool, Ohio Attorney General, accessed April 29, 2026. Ohio rules require SGOs to submit documentation to the Attorney General showing compliance with legal obligations, but those documents are not publicly available through the SGOs' annual reports. "Rule 109:1-8-01 | Scholarship granting organizations," Ohio Administrative Code, accessed May 8 ,2026.
[12] See note 6.

other Christian denominations, and two Islamic. Tax credits for donations to these SGOs represent money diverted from public funds to be used for religious instruction.

We can't say for certain *where* scholarship recipients live or attend school—though we can make some guesses based on the locations of SGOs themselves. The map below highlights the business addresses of the 72 SGOs certified by the Attorney General's office in 2025.

Ohio SGOs certified in 2025



Map: Policy Matters Ohio, 2026 • Source: Charitable.ohioago.gov • Created with Datawrapper

SGOs can award scholarships to students and schools outside their immediate vicinity, though many specify a focus on their own geographic area or region. Overall, private schools are concentrated in urban and suburban areas.[13]

As a result, SGO scholarships funnel money away from areas where public schools need funding. For example, only one SGO is located in Appalachian Ohio, and private schools

[13] "Distribution of Public and Private Schools: Ohio," Learning Policy Institute, March 2025.

in the region are few and far between.[14] This pattern is reinforced by policy that limits funding for schools in every part of the state.

Are SGO scholarships the same as vouchers?

No. They are paid for and distributed in different ways. An individual student could receive both a voucher *and* a scholarship from an SGO. Ohio issues vouchers to the student's family, who then pays them to a private school, whereas SGOs pay scholarships directly to a school.

Ohio does not limit the size of SGO scholarships, though voucher programs are capped. For example, EdChoice Expansion, the most used voucher program in Ohio, pays up to $6,166 annually for students in grades K–8 and up to $8,408 for students in grades 9-12.[15]

Ohio's SGO tax credit shares one thing in common with vouchers: Both reduce the amount of funding available for Ohio's public schools. Whereas SGO scholarship tax credits reduce the amount *going into* the budget, vouchers *take funding out*, funneling public money to private schools.

Why are SGOs important right now?

H.R. 1, the 2025 federal budget bill, created a federal income tax credit for donations to an SGO, effective January 1, 2027. The credit is available only to filers in participating states.[16] Ohio was among the first to opt in.[17]

The federal dollar-for-dollar credit is capped at $1,700 per taxpayer.[18] It's unknown if SGO requirements will be tightened, and final rules are not yet available. Based on what the IRS has released so far, policy experts believe that governors and state legislators will have no regulatory power over SGOs participating in the federal credit. Governors will likely be required to certify an SGO at the state level if it meets the federal government's minimum standards, as summarized in H.R. 1.[19]

The U.S. Congress's Joint Committee on Taxation estimates that the federal SGO credit will cost the Treasury $501 million in its first year (2027), rising steadily to $4.4 billion by 2034, the last year with estimates available.[20] But the Institute on Taxation and Economic Policy (ITEP) estimates the forgone revenue as ranging from $8 billion to $101 billion per year.[21] A loss of billions of dollars from the Treasury is significant under any circumstance,

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[14] Megan Henry, "Ohio has near-universal school vouchers, but 10 counties have no private schools," Ohio Capital Journal, March 10, 2025.
[15] "EdChoice Expansion," Ohio Department of Education and Workforce, last modified July 11, 2025.
[16] "Treasury, IRS allow States to make an Advance Election to participate in the new federal tax credit for individual contributions to Scholarship Granting Organizations under the One, Big, Beautiful Bill," Dec. 12, 2025.
[17] "U.S. Departments of Education and Treasury Release Joint Fact Sheet on Historic Education Freedom Tax Credit," U.S. Department of Education, January 27, 2026.
[18] Congress.gov. "Text - H.R.1 - 119th Congress (2025-2026): An act to provide for reconciliation pursuant to title II of H. Con. Res. 14." July 4, 2025.
[19] Edward Waters, "Request for Comments on Individual Tax Credit for Qualified Contributions to Scholarship Granting Organizations," Department of the Treasury and Internal Revenue Service, November 25, 2025. "The New Federal Voucher Program / Considerations for Policymakers," In The Public Interest, February 2026. "Public Law 119–21," United States Congress, July 4, 2025. "Internal Revenue Bulletin," No. 2026–2, IRS, January 5, 2026.
[20] The Joint Committee on Taxation, "JCX-35-25," Congress, July 01, 2025.
[21] Carl Davis, "Megabill Takes Cap Off Unprecedented Private School Voucher Tax Credit, Potentially Raising Cost by Tens of Billions Relative to Earlier Version," Institute on Taxation and Economic Policy, July 6, 2025.

but especially when the federal government has been repeatedly proposing cuts to the Department of Education and K-12 education funding, most recently via the executive budget that maps the administration's budget priorities for Federal Fiscal Year 2027.[22]

What could make the SGO program better?

Transparent financial reporting, equity regulations, and accountability would improve both the state and federal SGO programs. Ohio can look to Indiana's SGO program[23] as a good example of practical regulations. Indiana law:

- Caps statewide expenditures on SGO tax credits at $18.5 million for each fiscal year.
- Limits SGO administrative expenditures to 10% of the total donations.
- Limits the tax credit to 50% of the donation amount.
- Requires that *all* scholarships go to low-income students.
- Defines low-income students as coming from a family with income below 300% of what would qualify for participation in the National School Lunch Program.
- Requires each SGO provide the Indiana Department of Education with the results of an annual financial audit, conducted by an independent certified public accountant paid for by the SGO. These audits must be made available to members of the public upon request.

An even better solution would be to eliminate tax credits for the wealthy and stop using public funds for private schools. In the 2026-27 biennial state budget, Ohio underfunded its public schools by $2.75 billion dollars[24] while appropriating $2.4 billion for private school vouchers.[25] The vast majority of Ohio K-12 students attend public schools—90% at any type of public school and 80% at traditional school districts.[26] While private schools can select their students, public schools are required to provide a free and appropriate education for all. Ohio should keep public money with public schools, not reward donors for contributing to private schools at the expense of statewide revenue collection.

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[22] Office of Management and Budget, "Budget of the U.S. Government," U.S. Budget Publishing Office, April 3, 2026.
[23] "School Scholarships," Indiana Dept. of Education. "Indiana School Scholarship Tax Credit/SGO Program Frequently Asked Questions," Indiana Department of Education. Indiana Code 20-51-1-7 "Scholarship granting organization."
[24] Molly Bryden, "Legislators abandon Fair School Funding Plan, funnel state support away from high-poverty districts," Policy Matters Ohio, September 23, 2025.
[25] Piet van Lier, "Even more public money for private schools," Policy Matters Ohio, April 28, 2025.
[26] Data for the 2024-2025 school year taken from the "Ohio Department of Education and Workforce Report Portal," accessed March 25, 2026. Total K-12 enrollment, manually subtracting preschool data, was 1,770,362 students across public and nonpublic schools, and 1,589,118 in just public schools. Enrollment in traditional school districts, manually subtracting preschool data, was 1,415,113 students. Enrollment in all types of public schools except community (charter) and STEM schools, manually subtracting preschool data, was 1,466,212 students.