

# Individual Income Tax-School District

In 1981, the Ohio General Assembly granted school districts the authority to levy an income tax. Certain provisions of that law were repealed in 1983 so that no additional school districts could levy the tax. Any school district enacting the tax before August 3, 1983 could continue to levy the tax. Prior to the repeal, voters approved the tax in six school districts, one of which repealed the tax through voter referendum in 1986. In 1989, the General Assembly reinstated provisions of the original law allowing additional school districts to levy the tax.

The school district income tax is imposed on the incomes of residents and estates of persons who at the time of their death were residents of the school district. The Department of Taxation administers the tax. Collections are made through employer withholding, individual quarterly estimated payments, and annual returns. During Fiscal Year 2005, total net collections for all districts were approximately \$182 million, after deductions for administrative costs and refunds, as shown in the table in this chapter. In FY 2005, there were 145 school districts (out of 614 in the state) that levied the tax.

## Taxpayer (Ohio Revised Code 5748.01):

Every individual residing in and every estate of persons who at the time of their death were residing in a school district which imposes the school district income tax.

## Tax Base (R.C. 5748.01):

For individuals, Ohio adjusted gross income for state income tax purposes less \$1,350 for each exemption in 2005. For estates, Ohio taxable income for state income tax purposes.

Amended Substitute House Bill 66, 126<sup>th</sup> General Assembly, the FY 2006-2007 biennium budget bill, allows voters in a school district to approve a school district income tax which will apply only to individuals — but not to estates — and which will apply only to “earned income” and which does not provide for any deductions. This “earned income” base includes wages, salaries, tips and other employee compensation, but does not include retirement income, lottery winnings, nor interest or dividend income (see **Recent Legislation**).

## Rates (R.C. 5748.02):

Rates must be multiples of a quarter of one percent. The rate must be approved by a vote of the school district residents before implementation. The tax rates currently range from 0.5 percent to 2.0 percent.

## Special Provisions

**Senior Citizen Credit:** A taxpayer 65 years of age or older during the taxable year receives a \$50 credit against the amount of school district income tax due. Only one credit is allowed for each return.

## Filing and Payment Dates (R.C. 5747.06 – 5747.09):



### Individuals and Estates:

1. Calendar year taxpayers file an annual return between January 1 and April 15.
2. Fiscal year taxpayers file by the 15<sup>th</sup> day of the fourth month after the end of the fiscal year.
3. The taxpayer must file a quarterly estimated return if the taxpayer expects to be under-withheld by more than \$500 for the combined school district and Ohio individual income taxes. For calendar year taxpayers, quarterly payments of the tax must be made on or before April 15, June 15, and September 15 of the current year and January 15 of the next year. For fiscal year taxpayers, quarterly payments of tax must be made on the 15<sup>th</sup> day of the fourth, sixth, and ninth months of the fiscal year and on the 15<sup>th</sup> day following the end of the fiscal year.

### Employers:

1. If the employer remits on a quarterly basis for state income tax purposes, payment is due for both taxes by the last day of the month following March, June, September, and December.
2. If the employer remits on a monthly or electronic funds transfer (EFT) basis for state income tax purposes, remittances of school district income taxes withheld are made within 15 days after the end of each month.

## Disposition of Revenue (R.C. 5747.03):

Collections are deposited into the School District Income Tax Fund to be distributed to the school districts less 1.5 percent retained for state administrative purposes. Distributions are made to school districts on the last day of April, July, October, and January. Payments are for the net amount in each school district's account, after refunds and administrative fees, as of the end of the prior calendar quarter.

## Administration:

The Department of Taxation collects and administers the tax for school districts and makes quarterly distributions of revenue.

## Ohio Revised Code Citations:

Chapters 5747 and 5748.

## Recent Legislation

**Amend. Sub. H.B. 66, 126<sup>th</sup> General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).**

**R.C. 5748.01(E)(1) and 5748.02(A):**

Voters in a school district were authorized to approve a school district income tax which applies only to "earned income" of individuals. This alternative tax base does not include estates, and also does not provide for any deductions.

Earned income is defined as wages, salaries, tips, other employee compensation, and self employment income from sole proprietorships and from partnerships. Under this alternative tax base, taxpayers of the school district do not pay school district income tax on retirement income, lottery

winnings, interest, dividends, capital gains, profit from rental activities, distributive shares of profit from S corporations, and any other income which is not earned income but is part of Ohio adjusted gross income reported on line 3 of the Ohio income tax return, form IT-1040. Further, under this alternative tax base, taxpayers are not allowed to claim any deductions which they claimed on the front page of their federal income tax return, IRS form 1040. Such disallowed deductions include alimony paid, IRA contributions, capital losses, and losses from rental activities.

**Substitute House Bill 2, 126<sup>th</sup> General Assembly (effective June 2, 2005). R.C. 5747.026(A)-(D):**

Expanded existing extensions to file and pay individual and school district income taxes to members of the Ohio National Guard and members of a reserve component of the U.S. Armed Forces who are called to active duty for any reason.

Table  
School District Income Tax  
Collections for Fiscal Years  
2002 - 2005

All Districts	2002(a)	2003(b)	2004(c)	2005(d)
Individual returns	\$46,532,185	\$45,282,962	\$52,903,150	\$64,413,461
Employer withholding	107,611,867	111,135,680	117,069,441	132,269,908
Total collections	\$154,144,052	\$156,418,642	\$169,972,590	\$196,683,370
Refunds and administration	\$10,926,908	\$14,535,252	\$14,043,694	\$15,881,773
Interest earned	1,403,636	930,035	0	915,517
Net to school districts	\$144,620,780	\$142,813,425	\$155,928,896	\$181,717,114

(a) Includes collections for 123 school districts.  
 (b) Includes collections for 134 school districts.  
 (c) Includes collections for 133 school districts.  
 (d) Includes collections for 145 school districts.