

Individual Income Tax – School District

Taxpayer

In districts with the “traditional” tax base, the taxpayer is every individual residing in a school district that levies the tax, as well as every estate of a decedent who, at the time of death, was residing in such a school district. The tax is levied on all types of income.

In districts with an “earned income only” tax base, the taxpayer is every individual with wages or self-employment income residing in a school district that levies the tax.

Tax Base

Ohio taxable income:

The “traditional” tax base is Ohio taxable income, meaning Ohio adjusted gross income, less \$1,600 for each personal and dependent exemption claimed on the Ohio individual income tax return for taxable year 2010. The value of these exemptions is indexed to inflation.

Earned income only:

Some school districts have enacted a tax that applies to earned income only. In these districts, the tax base includes wages, salaries, tips and other employee compensation as well as self-employment income from sole proprietorships, partnerships and limited liability companies treated as partnerships for income tax purposes. It does not include unearned income such as retirement income, lottery winnings, interest, dividends, capital gains, profits from rental property and distributive shares of profit from S corporations. Residents of “earned income only” school districts are not entitled to personal and dependent exemptions.

Rates

Rates must be in multiples of 0.25 percent. Also, rates must be approved by a vote of the school district residents before implementation.

As of January 2010, rates ranged from 0.5 percent to 2 percent in the 178 school districts that levied an income tax. Overall, Ohio has 614 public school districts.

Of the 178 districts levying an income tax, 25 used the “earned income only” base.

Revenue

(In Millions)

| Fiscal Year | District Revenue | Admin. Fund | Total |
|-------------|------------------|-------------|---------|
| 2006 | \$217.7 | \$3.5 | \$221.2 |
| 2007 | 266.9 | 4.3 | 271.2 |
| 2008 | 311.7 | 5.0 | 316.7 |
| 2009 | 305.7 | 5.0 | 310.7 |
| 2010 | 299.0 | 4.9 | 301.9 |

Disposition of Revenue

The Tax Commissioner returns all revenue collected to the school district, less 1.5 percent retained for administrative purposes.

Payment Dates

Payment dates are the same as for the state individual income tax and state withholding tax, except that employers with larger payrolls remit withholding monthly, rather than on a partial weekly basis. Individual taxpayers must file a quarterly estimated payment if they expect to be under-withheld by more than \$500 for the combined school district and Ohio individual income taxes.

Special Provisions/Credits

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.

Sections of Ohio Revised Code

Chapters 5747 and 5748.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1979 General Assembly grants school districts authority to levy an income tax solely for repaying a state loan.

| | |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1981 | Legislature repeals 1979 law and enacts Chapter 5748 of the Ohio Revised Code, authorizing school districts to enact a school district income tax based on Ohio taxable income (meaning Ohio adjusted gross income, less personal and dependent exemptions claimed on the Ohio individual income tax return.) |
| 1983 | General Assembly blocks additional school districts from enacting the tax by repealing most of Chapter 5748, but permits the six districts that had enacted the tax before Aug. 3, 1983 to continue doing so. |
| 1989 | The General Assembly reinstates portions of Chapter 5748, allowing additional school districts to levy the tax. Lawmakers also enact a \$50 senior citizen credit. |
| 1991 | For the first time, school districts are permitted to seek voter approval for income taxes for finite periods of time. Previously, all levies had to be continuing levies. |
| 1992 | General Assembly permits districts to submit to voters an income tax levy and a property tax reduction with a single ballot issue. |
| 1997 | Personal exemptions indexed to inflation beginning in 2000. |
| 2005 | General Assembly gives districts the option of levying the tax on earned income – meaning, only wages and self-employment income – instead of on the traditional base of Ohio taxable income. |

Comparisons with Other States

(As of October, 2010)

California, Florida, Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, Texas, and West Virginia do not have school district income taxes.

Kentucky

Local school boards may levy an occupational license tax on compensation of individuals or on net profits of business at a rate up to 0.5 percent. In counties with a population over 300,000, the tax rate can be up to 0.75 percent.

Ohio

School districts can levy a tax in multiples of 0.25 percent; rates range from 0.5 percent to 2 percent. The tax can be enacted on either a “traditional” base (Ohio taxable income) or an “earned income only” base (wages and self-employment income).

Pennsylvania

School districts (except for the School District of Philadelphia) are authorized to levy a tax up to 1.5 percent on earned income and net profits of residents. Certain school districts are exempt from the cap, including:

- *Pittsburgh:* The Pittsburgh School District levies an income tax at 2 percent on earned income and net profits.
- *Philadelphia:* The School District of Philadelphia levies a tax on the non-business income of Philadelphia residents. The tax is applied to the net income from the ownership, lease, sale, or other disposition of real property and tangible and intangible personal property, including the net income paid to any beneficiary of a trust or estate and the income of any trust or estate of which such person is the substantial owner. In 2010 the tax rate is 3.928 percent.