



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 Certain provisions of that law were repealed in 1983 so that no additional school districts could levy the tax. In 1989 the General Assembly reinstated provisions of the original law, allowing additional school districts to levy the tax with voter approval. During Fiscal Year 2007, 164 of Ohio's 614 school districts levied the tax.

In most districts, the 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. In certain others, the tax only applies to wages and self-employment income, and not to estates.

The Department of Taxation administers the tax, including collections through employer withholding, individual quarterly estimated payments and annual returns. During Fiscal Year 2007, total net collections for all districts were approximately \$269.4 million, after deductions for administrative costs and refunds.

Taxpayer (Ohio Revised Code 5748.01)

The tax applies to every individual residing in a school district that imposes the tax, as well as the estates of persons who, at the time of their death, were residing in such a school district. Estates are exempt in school districts that levy the "earned income only" version of the income tax.

Tax Base

(R.C. 5748.01)

Traditional school districts:

For individuals, the base is Ohio adjusted gross income for state income tax purposes, less \$1,450 (in 2007) for each exemption. For estates, the base is Ohio taxable income for state income tax purposes.

"Earned income only" school districts:

In 2006, the General Assembly authorized school districts to levy, with voter approval, an income tax that applies only to individuals – not estates – and only to "earned income" without any deductions.

Earned income is defined as wages (other than military pay received by the taxpayer while stationed outside Ohio), salaries, tips, other employee compensation, and self-employment income from sole proprietorships and from partnerships. Under this alternative tax base, income exempt from the school district income tax includes 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. However, taxpayers in an "earned income only" district are not allowed to claim any of the deduc-

tions claimed on the front page of their federal income tax return, such as alimony paid, IRA contributions, capital losses, and losses from rental activities.

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 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:

- Calendar year taxpayers file an annual return between Jan. 1 and April 15.
- Fiscal year taxpayers file by the 15th day of the fourth month after the end of the fiscal year.
- 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 Sept. 15 of the current year and Jan. 15 of the next year. For fiscal year taxpayers, quarterly payments of tax must be made on the 15th day of the fourth, sixth, and ninth months of the fiscal year and on the 15th day following the end of the fiscal year.

Employers:

- 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.
- 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 for distribution to 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

Substitute House Bill 73, 126th General Assembly (effective January 1, 2007).

R.C. 5747.24 and R.C. 5748.01:

Beginning, Jan. 1, 2007, Ohio-domiciled military mem-

bers who receive active duty service military income while they are stationed outside this state can exclude such income from Ohio and school district income tax.

Beginning Jan. 1, 2007, each individual who has no more than 182 contact periods in Ohio and who has an abode outside the state for the entire year is presumed to be a full-year nonresident if the individual timely submits an affidavit stating that he or she is not domiciled in Ohio. For pre-2007 years the threshold was 120 contact periods, and the individual had to submit the affidavit only upon request of the Tax Commissioner.

Table
School District Income Tax:
Collections for Fiscal Years
2004 - 2007

All Districts	2004 ¹	2005 ²	2006 ³	2007 ⁴
Individual Returns	\$52,903,150	\$64,413,461	\$85,737,114	\$109,112,417
Employer Withholding	117,069,441	132,269,908	150,211,785	178,394,566
Total collections	\$169,972,590	\$196,683,370	\$235,948,898	\$287,506,983
Refunds and administration	\$14,043,694	\$15,881,773	\$18,218,448	\$20,637,802
Interest earned	0 ⁵	915,517	1,551,584	2,527,516
Net to school districts	\$155,928,896	\$181,717,114	\$219,282,034	\$269,396,698

1 Includes collections for 133 school districts.

2 Includes collections for 145 school districts.

3 Includes collections for 153 school districts.

4 Includes collections for 164 school districts.

5 No interest was recorded in this fiscal year because of a state law, later reversed, that allowed the Office of Budget and Management to transfer interest from certain non-general revenue funds to the state General Revenue Fund.

