

2016 School District Income Tax Withholding Instructions

Ohio Withholding Tax Returns: Effective Jan. 1, 2015, in accordance with Ohio Administrative Code rule 5703-7-19, employers are required to file state and school district income tax withholding returns and make payment of the withheld taxes through the Ohio Business Gateway (OBG) at business.ohio.gov.

Federal Privacy Act Notice

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us with your Social Security number is mandatory. Ohio Revised Code sections 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.

Ohio Business Gateway

The OBG simplifies tax reporting and payment for businesses. Now your business can file and pay Ohio and school district employer's withholding tax, sales and use tax, unemployment tax and Workers' Compensation premiums all at one time. Just go to tax.ohio.gov, click on Ohio Business Gateway, and you can start filing your returns online the same day.

Registration is simple. Just have your account numbers handy to start your registration process. You will need your federal employer ID number, the legal name of your company and your e-mail address. You will be asked to designate a contact person and to list the name and job title of the person who will be reporting your tax information. You will also be asked for a user name. Once you're registered, you can start filing your returns immediately. On subsequent visits to the OBG, you can just log in by entering your user name and password.

Credit Card Information – Pay Your Taxes by Credit Card

You can use your Discover, MasterCard, VISA or American Express card to pay your school district income tax liability. Credit card payments may be made by telephone by calling **1-800-2PAY-TAX** or by visiting www.officialpayments.com and clicking on the State Payments Center link.

There is a convenience fee charged for this service. This fee is paid directly to Official Payments Corporation based on the amount of your tax payment.

When will my payment be posted? Your payment will be effective the date you charge it.

What happens if I change my mind? If you pay your tax liability by credit card and subsequently reverse the credit card transaction, you may be subject to penalties, interest and other fees imposed by the Ohio Department of Taxation for nonpayment or late payment of your tax liability.

Instructions for Employers

1. Requirement to Withhold School District Income Tax

Pursuant to Ohio Revised Code (R.C.) sections 5747.06 and 5747.07, all employers are required to withhold and remit school district income tax from employees who reside in a school district that has enacted the school district income tax. Employers should use the same wage base as they use for Ohio withholding less the number of exemptions claimed on Ohio IT 4, Employee's Withholding Exemption Certificate (which they keep on file).

Exception: Several school districts have enacted an alternative earned income only tax base. Employers cannot reduce the wage base for personal exemptions for employees residing in these school districts. Rather, employers must withhold the

school district tax on all federal wage base compensation paid to employees residing in these school districts. These earned income only tax base school districts are included on the enclosed listing.

2. Requirement to File School District Withholding Returns

Employers are required to file state and school district income tax withholding returns and make payment of the withheld taxes through the OBG.

- a. **SD 101** – Employers must pay the withheld tax with SD 101, Employer's Payment of School District Income Tax Withheld, usually on the same due date as Ohio IT 501, Employer's Payment of Ohio Income Tax Withheld.
- b. **SD 141** – Employers must remit SD 141, School District Employer's Annual Reconciliation of Tax Withheld.

3. Filing Frequency

All employers are required to file either **monthly or quarterly**.

- a. Quarterly payments are due if the combined Ohio and school district income tax withholding liability does not exceed \$2,000 during the 12-month period ending on June 30th of the preceding calendar year.
- b. Monthly payments are due if the combined Ohio and school district income tax withholding liability exceeds \$2,000 during the 12-month period ending on June 30th of the preceding calendar year.

Note: School district income tax withholding is not required to be paid on a partial weekly basis per R.C. section 5747.07.

4. Completing the SD 101 Payment Form

- a. In the tax due column, fill in the amount of tax due for each school district during the period. Be sure to include tax due for all applicable school districts.

Note: Employers who have been approved under the opt out provision to file paper returns must include the name, school district number and amount due on SD 101. If you are not using a preprinted form, fill in each school district name and number and enter the amount of tax due on the line next to the school district name(s).

- b. Enter the total amount of taxes due for all school districts on the Total Tax Due line. The SD 101 must be filed electronically and payment made through OBG unless you have been approved to file/pay by paper.

If you have been approved to file/pay by paper, send your SD 101 and payment to Ohio Department of Taxation, P.O. Box 182388, Columbus, OH 43218-2388.

- c. During the calendar year, you may adjust for overpayments or underpayments by reducing or increasing the tax due for the same district on a subsequent SD 101 filing. Do not file an amended SD 101 return for any period.

Regarding overpayments:

- ✓ Overpayments made for a district can be applied to reduce the tax due for the same district in a subsequent period, but cannot be used to reduce the tax due for any other district.

- ✓ Do not show any negative figures. If you show a negative amount for a district, you are in effect erroneously applying the overpayment toward the tax that is due for another district.
- ✓ Continue to apply your overpayment for a district toward the current tax due for the district, until your overpayment is used up. On SD 101, only report amounts that are currently due. Do not report any tax that is not owed as a result of an overpayment made for the district in a prior period.
- ✓ You may keep track of these adjustments by using the School District Withholding Adjustments Worksheet.
- ✓ If, during the calendar year, you overpay the tax due for a district on SD 101 and you do not have any tax due for that same district on subsequent periods during the calendar year, at year-end you can apply on SD 141 your overpayment to another school district or claim a refund of your overpayment.

5. Completing the SD 141, Employers Annual Reconciliation of School District Income Tax Withheld

For each school district for which you withheld tax, you must list the following: the school district name, school district number, the amount of tax withheld, the amount paid during the year and the underpayment or overpayment.

If Filing By Paper:

- a. you must first complete all columns shown on the lower half of SD 141. List each district separately. **Indicate overpayment using parentheses.**
- b. Bring the total of columns C and D forward and enter these amounts on lines 1 and 2 of SD 141.
- c. If line 2 is LESS than line 1, subtract line 2 from line 1 and enter the balance of school district income tax due (amount you owe) on line 3. Make your check payable to School District Income Tax.

- d. If line 2 is GREATER than line 1, subtract line 1 from line 2 and enter the overpayment of school district income tax on line 4.
- e. Do **not** mail paper copies of the wage and tax statements, W-2 with SD 141. Submit wage and tax statements only on acceptable magnetic media (e.g., CD-ROM) and send with your completed Ohio IT 3, Ohio Transmittal of Wage and Tax Statement.

6. Interest on Unpaid Withheld Tax

School district income tax withheld (or required to be withheld for each withholding period) and remaining unpaid is subject to the applicable interest rate per year (3% for 2016).

7. Penalties on Unpaid/Late-Paid Withheld Tax

- a. If an employer fails to pay the tax deducted and withheld from employees' compensation by the due date, a nonpayment penalty of 50% may be assessed on the tax due, unless the employer shows that the failure was for reasonable cause and not willful neglect.
- b. If an employer files SD 101 and/or SD 141 after the due date, a late filing penalty may be assessed, which is the greater of \$50 per month up to a maximum of \$500, or 5% per month up to a maximum of 50% of the tax due that is required to be shown on the report.

8. Employee Wage and Tax Statement

Employers must furnish a W-2 to the employee that identifies both the amount of school district income tax withheld and the school district (by its four-digit number). Use boxes 19 and 20 on the W-2 or any available area to show this information.

Caution: Several Ohio school districts have the same name. Be sure to verify the affected school district by county before withholding for employees.

Common School District Withholding Questions

Am I required to withhold school district income tax?

Yes, if you...

- ▶ employ any individual who is a resident of a school district that has enacted the school district income tax. Place of employment in Ohio does not matter; nor does an out-of-state payroll office exempt the employer from withholding the taxes. Age of the employee also does not matter. The only factor is the employee's residence in a school district that has enacted an income tax.

No, if you...

- ▶ do not employ in Ohio anyone who is a resident of a school district with an income tax;
- ▶ employ any Ohioans in a reciprocity state (Michigan, Pennsylvania, West Virginia, Kentucky or Indiana), and they are residents of an affected school district.

How can my employees find out where they reside?

They may contact their county auditor or use The Finder at tax.ohio.gov to verify their school district of residence.

How do I register as a school district withholding agent?

If you have not registered as an Ohio employer, you can register for both Ohio and school district withholding on the Ohio Business Gateway (OBG) or check the appropriate box on Ohio form IT 1, Application for Registration as an Ohio Withholding Agent, and send it in. If you are already registered and have an Ohio withholding account number, call our Taxpayer Services Division at 1-888-405-4089 to activate your Ohio school district withholding account.

Can I include my school district tax payment with my Ohio form IT 501?

No. You must remit your school district tax with the SD 101.

How do I find out what school district each employee lives in?

As an employer, you should have each employee complete Ohio form IT 4, Employee's Withholding Exemption Certificate. This form will list the employee's school district residence, and the employee may update this form whenever there is a change of residence. You can obtain the form by visiting our Web site at tax.ohio.gov.

Do I file and pay my school district withholding at the same time as my Ohio income tax withholding?

You must use the combined Ohio and school district income tax withholding amounts to determine your filing frequency. If your combined liability exceeds \$2,000 for the 12-month period ending on June 30th of the preceding calendar year, you must remit your school district withholding monthly. If your combined liability does not exceed \$2,000 for the same period, you may remit both taxes quarterly. Partial-weekly (EFT required) withholders remit school district tax monthly.

How do I remit my SD 101 and payment?

The SD 101 must be filed electronically and payment made through OBG unless you have been approved to file/pay by paper.

If you have been approved to file/pay by paper, send your SD 101 and payment to Ohio Department of Taxation, P.O. Box 182388, Columbus, OH 43218-2388.

My software does not allow for a second local tax. What do I do?

You **must** withhold the school district income tax from each affected employee. You should withhold the tax manually if your software program does not allow for the school district withholding.

Can I withhold a flat percentage from my employee?

Yes, but only if the employee resides in an earned income tax base school district. For all of the other employees, you must use

the taxable wage base (not gross wages) and then allow for Ohio exemptions to arrive at the amount subject to school district income tax withholding. You may either determine the tax from the Ohio school district income tax withholding tables or from the computer formula on page 4 of this booklet.

Must I withhold if I only have one employee affected?

Yes. If you are conducting business in Ohio and are employing one or more residents of affected school districts, you must withhold the school district income tax, no matter how many employees are affected or how little tax is withheld.

Should I withhold the school district tax for the 401(k) or cafeteria plan?

You should use the same taxable wage base that you use for Ohio withholding and then, unless the employee resides in an earned income tax base school district, allow for the same Ohio exemptions claimed on the Ohio IT 4.

How do I show school district withholding tax on my employee's W-2?

Use boxes 19 and 20 on the W-2 or use the Ohio IT 2, which has specific boxes for school district withholding tax, and identify the school district by its **four-digit number**.

Transmittal of wage and tax statements, Ohio IT 3 – All employers required to withhold must file with the Ohio Department of Taxation by the last day of February of the succeeding calendar year a copy of the Ohio IT 3. Employers are no longer required to send us paper copies of the Ohio IT 2 or the federal W-2. Send your state W-2 information to us on magnetic media using an approved electronic format. The electronic format is available on the department's Web site at tax.ohio.gov.

I have no employees who reside in a school district with an income tax and I registered in error. What do I do?

Write your explanation on the front of the SD 101 and send it to the address at the top of the form. We will inactivate your school district account. To reactivate your account, remit any school district withholding on the SD 101.

I no longer have any employees who reside in a school district with an income tax. How do I inactivate my school district withholding account?

When you file your annual reconciliation, SD 141, write on the front that you no longer have any employees who reside in a school district with an income tax in effect. We will inactivate your school district withholding account. If during the year you have remitted for any employees who reside in a school district with an income tax, you must file an SD 141 at the end of the year and request inactivation on the front of that form.

Are there penalties for not withholding or remitting the school district tax?


If an employer knows that an employee is subject to the school district tax but fails to withhold from the employee's compensation the appropriate amount of tax, the employer is liable for penalties and interest. If your return is filed late, a late filing penalty may be assessed, which is the greater of \$50 per month up to \$500, or 5% per month up to 50% of the tax due that is required to be shown on the report. If the tax was not withheld, the penalty may be twice the interest charged plus 10% of the delinquent tax payment. If your payment is late, you may be assessed a late payment penalty of up to 50% of the delinquent tax payment. The statutory interest rate for 2016 is 3%.

Computer Formula for School District Income Tax Withholding

Caution: See Exception below.

- Daily payroll period: Federal wage base minus \$2.50 for each exemption times the school district tax rate
- Weekly payroll period: Federal wage base minus \$12.50 for each exemption times the school district tax rate
- Biweekly payroll period: Federal wage base minus \$25 for each exemption times the school district tax rate
- Semi-monthly payroll period: Federal wage base minus \$27.08 for each exemption times the school district tax rate
- Monthly payroll period: Federal wage base minus \$54.17 for each exemption times the school district tax rate
- Annual payroll period: Federal wage base minus \$650 for each exemption times the school district tax rate

Exception: Several school districts have enacted an alternative earned income only tax base. Residents of these school districts are not entitled to the exemption adjustment. Employers must withhold the school district tax on all federal wage base compensation paid to employees residing in these school districts. These earned income only tax base school districts are included on the enclosed listing.

	Department of Taxation	Employee's Withholding Exemption Certificate	IT 4 Rev. 5/07
Print full name _____ Social Security number _____			
Home address and ZIP code _____			
Public school district of residence _____ (See The Finder at tax.ohio.gov.)		School district no. _____	
1. Personal exemption for yourself, enter "1" if claimed _____			
2. If married, personal exemption for your spouse if not separately claimed (enter "1" if claimed) _____			
3. Exemptions for dependents _____			
4. Add the exemptions that you have claimed above and enter total _____			
5. Additional withholding per pay period under agreement with employer \$ _____			
Under the penalties of perjury, I certify that the number of exemptions claimed on this certificate does not exceed the number to which I am entitled.			
Signature _____			Date _____