Enclose with form SD 100E.

Use this form to calculate interest penalty on underpayment of school district income taxes and to show the exceptions where no interest penalty is due. See Note #1 on page 3.

☐ Check here if you engage in farming or fishing activities, and see Note #2 on page 4.

Part I
Do you owe interest penalty?

1. Year 2006 form SD 100E, line 3

2. 2006 school district withholding taxes and overpayment credit carryovers from year 2005 (do not include estimated tax payments on this line)

3. Line 1 minus the amount on line 2 (if less than zero, enter -0-)

   Is line 3 less than or equal to $500?
   ☐ Yes ☐ No

   If the answer is yes, STOP; you have no interest penalty. If the answer is no, continue.

4. Multiply line 1 by 90% (.90)

   Is line 2 greater than or equal to the amount on line 4?
   ☐ Yes ☐ No

   If the answer is yes, STOP; you have no interest penalty. If the answer is no, continue.

5. Year 2005 form SD 100E, line 4

6. Required annual payment. Enter the smaller of line 4 or line 5

   Short method
   You may use the short method only if you paid no estimated tax payments or if you paid estimated tax in equal amounts on the due dates and you claim any overpayment credit carryover amount in equal amounts on the due dates.

   Note: You may use the short method even if the payments were earlier than the due date; however, the interest penalty may be lower if you use the long method.

7. Taxable year 2006 estimated payments

8. Add line 2 and line 7

9. Subtract line 8 from line 6

10. Multiply line 9 by .045151. Enter the result here and on form SD 100E, line 4

   Long method
   11. Multiply the amount on line 6 by the percentage indicated at the top of each column. However, if you choose to annualize your income, check the box ☐ and enter the amounts from Part II, line 10, columns (a) through (d) on page 3

   12. Cumulative tax withheld: Multiply the sum of tax withheld by the percentage shown at the top of each column (see instructions)

   13. Cumulative estimated tax paid by the dates shown at the top of each column

   14. Overpayment credit carryover from year 2005 form SD 100E. Enter this amount in all four columns

   15. Add lines 12, 13, and 14

   16. Underpayment subject to interest penalty (line 11 minus line 15). If line 15 is greater than line 11, enter -0-

   17. Ratio (if payment was made late, see line instructions)

   18. Multiply the ratio on line 17 by the respective underpayment on line 16 (if partial payment or late payment, see line instructions)

   19. Total interest penalty due. Add line 18 columns (a) through (d). Enter here and on your year 2006 form SD 100E, line 4
For leap years use 366 days instead of 365 days.

Example 2 – Full payment after the due date but before the next due date. Assume that the underpayment on line 16 for the April 17, 2006 due date is $1,000. Also assume that the taxpayer paid this full amount on May 15, 2006. The taxpayer should ignore the ratio on line 17 and compute the interest penalty on the late payment.

Step 1 – Determine the number of days from the date the payment was due (April 17, 2006) to the date the payment was made (May 15, 2006). April 17, 2006 to May 15, 2006 = 28 days.

Step 2 – The taxpayer should calculate the interest penalty using the following formula:

\[ \text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \frac{\text{number of days late}}{365} \]

Interest penalty = $1,000 X .06 X 28/365 = $4.60

Interest penalty = $4.60. Enter this amount on line 18, column A.

Example 3 – Partial payment after the due date, but before the next due date. Assume the underpayment shown on line 16 for the April 17, 2006 due date is $1,000. Also assume that the taxpayer paid $600 of this amount on May 15, 2006. The taxpayer should ignore the ratio on line 17 and compute the interest penalty on the underpayment for the periods both before and after the partial payment.

Step 1 – Determine the number of days from the date the payment was due (April 16, 2006) to the date the payment was made (May 15, 2006). April 17, 2006 to May 15, 2006 = 28 days.

Step 2 – The taxpayer should calculate the interest penalty using the following formula:

\[ \text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \frac{\text{number of days late}}{365} \]

Interest penalty = $1,000 X .06 X 28/365 = $4.60

Interest penalty = $4.60

Step 3 – Determine the number of days from the payment date (May 15, 2006) to the next required due date (June 15, 2006); May 15, 2006 to June 15, 2006 = 31 days.

Step 4 – Calculate the interest penalty on the $400 ($1,000 - $600) underpayment for the 31-day period from May 15, 2006 to June 15, 2006 using the following formula:

\[ \text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \frac{\text{number of days late}}{365} \]

Interest penalty = $400 X .06 X 31/365 = $2.04

Interest penalty = $2.04

Step 5 – Add the amounts determined in Steps 2 and 4: $4.60 + $2.04 = $6.64. Enter this amount in column A.
Note #1: Some estates may be able to avoid the interest penalty if they (i) combine their state income tax with their school district income tax and (ii) determine if they meet any one of the following three requirements:

(a) The sum of (i) the estate’s state income tax liability for the current year (year 2006 form IT 1041, line 11) and (ii) the estate’s school district income tax liability (year 2006 form SD 100E, line 3), reduced by the combined withholdings, refundable credits and combined overpayment credit carryovers from year 2005, is no more than $500.

(b) The sum of (i) the estate’s combined state and school district withholdings, (ii) combined refundable credits and (iii) combined overpayment credit carryovers from year 2005 is equal to or greater than the sum of (i) the estate’s state income tax liability for the immediately preceding year (year 2005 form IT 1041, line 11) and (ii) the estate’s school district income tax liability for the immediately preceding year (year 2005 form SD 100E, line 4), or

(c) The estate’s combined state and school district withholdings, combined refundable credits and combined overpayment credit carryovers from year 2005 are equal to or greater than 90% of the sum of (i) the estate’s state income tax liability for the current year (year 2006 form IT 1041, line 11) and (ii) the estate’s school district income tax liability for the current year (year 2006 form SD 100E, line 3).

If the discussion in this note applies to you, you will have to modify the Ohio form IT 2210-1041, accordingly. Be sure to include with both your form IT 1041 and your form SD 100E a copy of the modified form IT 2210-1041.

### Part II – Annualized Income Worksheet

**Note:** If you annualize for one period, you **must** annualize for all periods.

If your income varied during the taxable year, you may be able to lower or eliminate the amount of your required installment for one or more due dates by using the annualized income installment method. For example, an owner of a Christmas tree lot who receives most of his/her income toward the end of the year might benefit by using this method. The annualized income installment may be less than your installment under the regular method for one or more due dates and thereby lower or eliminate the interest penalty for those due dates.

The time periods listed in each column are **cumulative.** That is, the amounts in columns (a), (b), (c) and (d) include amounts for all previous periods in the taxable year. Also, note that the ending dates in each column do not reflect quarterly ending dates.

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Note #2: Special rule for farmers and fishermen

Ohio Administrative Code (Rule) 5703-7-04 provides two options for each taxpayer whose total gross income is at least two-thirds from farming and fishing, as those terms are defined under U.S. Treasury regulation sections 1.6073-1(b)(2) and (3). Such taxpayers may choose either of the following two options in lieu of making the four estimated income tax payments:

- **Option #1** – Make no payments of estimated tax but file the yearly income tax return and pay all tax due by the first day of the third month following the close of the taxpayer’s taxable year (for calendar year taxpayers, this date would be March 1 of the year immediately following the taxable year). If this date falls on a Saturday, Sunday or holiday, then the payment of tax and the filing of the income tax return are due on the first business day immediately following the first day of the third month following the close of the taxable year.

- **Option #2** – Pay all estimated tax (90% of the current taxable year’s tax or 100% of the immediately preceding taxable year’s tax) by the 15th day of the first month following the close of the taxpayer’s taxable year (for calendar year taxpayers, this date would be Jan. 15 of the calendar year immediately following the taxable year), and file the annual individual income tax return on or before the 15th day of the fourth month following the close of the taxpayer’s taxable year (for calendar year taxpayers, this date would be April 15 of the year immediately following the taxable year). If any such date falls on a Saturday, Sunday or holiday, then the due date becomes the first business day immediately following such due date.

Under this second option the taxpayer has the election to extend the filing of the Ohio income tax return if the taxpayer has received from the Internal Revenue Service an extension of time to file the federal income tax return. Note that there is no extension of time to pay the tax due. See Ohio Administrative Code (Rule) 5703-7-05, which addresses the imposition of penalties and interest (and safe harbors to avoid penalties) for taxpayers who fail to pay in all tax due by the unextended due date.

If you qualify for and choose option number 1, then enter -0- on line 19 on page 1 of Ohio form SD 2210-100E. Also, enter -0- on line 4 of form SD 100E. When you send to us your form SD 100E, please be sure to include page 1 of form SD 2210-100E.

If you qualify for and choose option number 2, then do not complete lines 11 through 18 for columns a, b and c. Complete lines 11-18 for column d to determine if there is any interest penalty due. Enter on line 19 on this form and on line 4 of form SD 100E the amount you show on line 18, column d on form SD 2210-100E. When you send to us your form SD 100E, please be sure to include page 1 of form SD 2210-100E.