Interest Penalty on Underpayment of Ohio School District Income Tax

Attach to 2007 Ohio form SD 100E.

Part I – Do You Owe Interest Penalty?

Use this form to calculate interest penalty on underpayment of Ohio fiduciary income tax and to show the exceptions where no interest penalty is due. See Note 1 on page 4. Check here if you engage in farming or fishing activities, and see Note 2 on page 4.

1. 2007 Ohio form SD 100E, line 3 ........................................................................................................................................ 1.
2. 2007 school district withholding taxes and overpayment credit carryovers from 2006 (do not include estimated tax payments on this line) .................................................................................................................. 2.
3. Line 1 minus the amount on line 2 (if less than zero, enter -0-) .................................................................................. 3.
   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 to line 4.
4. Multiply line 1 by 90% (.90) ........................................................................................................................................ 4.
   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 to line 5.
5. 2006 Ohio form SD 100E, line 4 ................................................................................................................................ 5.
   Is line 2 greater than or equal to the amount on line 5?  Yes  No
   If the answer is yes, STOP; you have no interest penalty. If the answer is no, continue to line 5a.
5a. Amount shown on line 1, above ............................................................................................................................... 5a.
5b. Statutory amount ....................................................................................................................................................... 5b. < $500 >
5c. Line 5a minus line 5b .................................................................................................................................................... 5c.
6. Required annual payment. Enter the smallest of line 4, line 5 or line 5c ........................................................................... 6.

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. 2007 estimated payments ........................................................................................................................................ 7.
8. Add line 2 and line 7 .................................................................................................................................................. 8.
9. Subtract line 8 from line 6 ........................................................................................................................................ 9.
10. Multiply line 9 by .052925. Enter the result here and on 2007 Ohio form SD 100E, line 4 ................................. 10.

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, page 3, line 10, columns A through D ........................................................................................................... 11.
12. Cumulative tax withheld: Multiply this amount by the percentage shown at the top of each column (see instructions on page 2) .................................................................................................................. 12.
13. Cumulative estimated tax paid by the dates shown at the top of each column .................................................................................................................................................. 13.
14. Overpayment credit carryover from 2006 Ohio form SD 100E, line 16. Enter this amount in all four columns .......... 14.
15. Add lines 12, 13 and 14 ............................................................................................................................................. 15.
16. Underpayment subject to interest penalty (line 11 minus line 15). If line 15 is greater than line 11, enter -0- .................................................................................. 16.
17. Ratio (if payment was made late, see instructions on page 2) .............................................................................. 17.
18. Interest penalty for the period: Multiply the ratio on line 17 by the respective underpayment on line 16 (if partial payment or late payment, see instructions on page 2) ........................................................................................................... 18.
19. Total interest penalty due. Add line 18 columns A through D. Enter here and on 2007 Ohio form SD 100E, line 4 ............................................................................................................................................... 19.

### Payment Due Dates

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<thead>
<tr>
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<th>A</th>
<th>B</th>
<th>C</th>
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<td>.012932</td>
<td>.020164</td>
<td>.026292</td>
<td>.019891</td>
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<tr>
<td>6/15/07 – 50%</td>
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<tr>
<td>9/17/07 – 75%</td>
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<tr>
<td>1/15/08 – 100%</td>
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Part I Line Instructions for Ohio Form SD 2210-100E

**Line 5** – If your 2006 return reflected a period of less than 12 months, do not complete this line; instead, enter the amount from line 4 onto line 6.

**Line 11** – Multiply the amount on line 6 by the percentage indicated at the top of columns A, B, C and D. However, if your income varied during the year (e.g., you operated a business of a seasonal nature), you may be able to lower the amount of your required payment for the due dates by using a different method called the annualized income installment method. To use this method to figure your required installments, use the Part II – Annualized Income Worksheet on page 3 and enter the amounts from Part II, line 10 of the worksheet into each column of Part I, line 11. If you use the worksheet for any payment due date, you must use it for all payment due dates.

**Line 12** – Unless you show otherwise, these amounts are deemed to have been withheld ratably throughout the year. For example, if your total Ohio school district income tax withheld for the year is $1,000, $250 is deemed to be withheld for each payment due date. On a cumulative basis the amount withheld is $250, $500, $750 and $1,000.

**Line 17** – The listed ratios are based upon the statutory interest rate (8% for 2007 and 8% for 2008) and the time during which the estimated payment was late. The general formula for computing the ratio is: ratio = interest rate X number of days the payment is late/365.* The listed ratios are computed from the payment due date at the top of each column to the following payment due date and apply only if the taxpayer either (i) never made the estimated payment or (ii) made full payment on or after the next payment due date. However, if the taxpayer makes a full or partial payment after the payment due date but before the next payment due date, ignore the ratio on line 17 and see Example 2, below, and Example 3, at right.

**Line 18** – Multiply line 17 by line 16 (see Example 1, below). However, if the taxpayer either made the full estimated payment late or made a partial payment late, ignore the ratio on line 17 and see Example 2, below, and Example 3, at right.

**Example 1** – Assume that the underpayment shown on line 16 for the 4/17/07 due date is $1,000. Also assume that the taxpayer made no estimated payment during the period 4/17/07 through 6/15/07. The taxpayer will compute interest penalty for the period 4/18/07 through 6/15/07 by multiplying the underpayment shown on line 16, column A by the ratio (.012932) shown on line 17, column A:

Interest penalty = $1,000 X .012932 = $12.93

**Example 2** – Full payment made after the due date but before the next due date. Assume that the underpayment on line 16 for the 4/17/07 due date is $1,000. Also assume that the taxpayer paid this full amount on 5/15/07. The taxpayer should ignore the ratio on line 17 and compute the interest penalty on the late payment as follows:

Interest penalty = $1,000 X .08 X 28/365 = $6.14

**Example 3** – Partial payment made after the due date but before the next due date. Assume that the underpayment shown on line 16 for the 4/17/07 due date is $1,000. Also assume that the taxpayer paid $600 of this amount on 5/15/07. The taxpayer would ignore the ratio on line 17 and compute the interest penalty on the underpayment for the periods both before and after the partial payment as follows:

**Step 1** – Determine the number of days from the date the payment was due (4/17/07) to the date the payment was made (5/15/07): 4/17/07 to 5/15/07 = 28 days.

**Step 2** – Calculate the ratio by using the following formula:

Ratio = interest rate X number of days late/365*

Ratio = .08 X 28/365 = .006137

The taxpayer would enter the recomputed ratio (.006137) on line 17, column A, and then compute the interest penalty (line 18, column A) for the period 4/18/07 through 5/15/08 by multiplying the underpayment by the recomputed ratio (attach detailed calculations to Ohio form SD 100E).

This method applies only if the taxpayer actually made full payment of the required estimated payment after the due date but before the next payment due date. If the taxpayer made a partial payment after the due date but before the next payment due date, see Example 3, below.

**Example 3** – Partial payment made after the due date but before the next due date. Assume that the underpayment shown on line 16 for the 4/17/07 due date is $1,000. Also assume that the taxpayer paid $600 of this amount on 5/15/07. The taxpayer would ignore the ratio on line 17 and compute the interest penalty on the underpayment for the periods both before and after the partial payment as follows:

**Step 1** – Determine the number of days from the date the payment was due (4/16/07) to the date the payment was made (5/15/07): 4/17/07 to 5/15/07 = 28 days.

**Step 2** – Calculate the interest penalty using the following formula:

Interest penalty = underpayment X interest rate X number of days late/365*

Interest penalty = $1,000 X .08 X 28/365 = $6.14

Interest penalty = $6.14

**Step 3** – Determine the number of days from the payment date (5/15/07) to the next required due date (6/15/07): 5/15/07 to 6/15/07 = 31 days.

**Step 4** – Calculate the interest penalty on the $400 underpayment ($1,000 minus $600) for the 31-day period from 6/15/07 to 6/15/08 using the following formula:

Interest penalty = underpayment X interest rate X number of days late/365*

Interest penalty = $400 X .08 X 31/365* = $2.72

Interest penalty = $2.72

**Step 5** – Add the amounts determined in Steps 2 and 4: $6.14 + $2.72 = $8.86. The taxpayer would (i) cross out the ratio on line 17, column A, (ii) enter $8.86 on line 18, column A and (iii) attach detailed calculations to Ohio form SD 100E.

*For leap years use 366 days instead of 365 days.
**Part II – Annualized Income Worksheet**

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

1. Cumulative Ohio taxable income for each period. Attach a copy of the federal and Ohio annualized income worksheets .......................... 1.

2. Annualization factor ........................................................................................................ 2.

3. Annualized Ohio taxable income (line 1 amount times line 2 factor) ................................................................. 3.

4a. Tax decimal rate from line 2 of Ohio form SD 100E ........................................ 4a.

4b. Annualized tax on annualized school district taxable income for each period. Multiply the amount on line 3, above, by the decimal rate on line 4a ................................................................................. 4b.

5. Deannualization factor ........................................................................ 5.

6. Multiply line 4b by line 5 .................................................................................................. 6.

7. Deannualized adjustment for first $500 ........................................................................ 7.

8. Line 6 minus line 7. If line 7 is more than line 6, enter -0- ................................. 8.

9. Multiply the amount on line 6, page 1, by the percentage indicated in each column immediately above line 11, page 1 ..................................... 9.

10. Enter the smaller of line 8, above, or line 9, above, on this line and in the respective columns on line 11, page 1 .......................... 10.

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<tr>
<td>4b.</td>
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<td>15%</td>
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**Part II – Annualized Income Worksheet Instructions**

*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.
Notes for Part I and Part II

Note 1: An estate may avoid the interest penalty if the estate (i) combines its state income tax with its school district income tax and (ii) determine if the estate meets any one of the following three requirements:

(a) The sum of (i) the estate’s state income tax liability for the current year (2007 Ohio form IT 1041, line 11) and (ii) the estate’s school district income tax liability (2007 Ohio form SD 100E, line 3), reduced by the combined withholdings, refundable credits and combined overpayment credit carryovers from 2006, 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 2006 is equal to or greater than the sum of (i) the estate’s state income tax liability for the immediately preceding year (2006 Ohio form IT 1041, line 11) and (ii) the estate’s school district income tax liability for the immediately preceding year (2006 Ohio 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 2006 are equal to or greater than 90% of the sum of (i) the estate’s state income tax liability for the current year (2007 Ohio form IT 1041, line 11) and (ii) the estate’s school district income tax liability for the current year (2007 Ohio form SD 100E, line 3).

If this note applies to you, modify Ohio form IT 2210-1041 accordingly. Attach to Ohio forms IT 1041 and SD 100E a copy of modified Ohio form IT 2210-1041.

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 instead 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 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. Note: The Ohio Department of Taxation will follow the lead of the IRS and extend the time for exemption of underpayment penalty (2210) for Farmers and Fishers from March 3, 2008 until March 10, 2008. This extended exemption time is for all paperless (electronic) filing methods and paper filing methods.

- 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 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 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 IRS 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 all tax due by the unextended due date.

If the taxpayer qualifies for and chooses Option 1, enter -0- on Ohio form SD 2210-100E, line 19. Also enter -0- on Ohio form SD 100E, line 4. When mailing Ohio form SD 100E, attach page 1 of Ohio form SD 2210-100E.

If the taxpayer qualifies for and chooses Option 2, do not complete lines 14-21 for columns A, B and C. However, complete lines 14-21 for column D to determine if there is any interest penalty due. Enter on Ohio form SD 2210-100E, line 22 and on Ohio form SD 100E, line 4 the amount computed and shown on Ohio form SD 100E, line 21, column D. When mailing Ohio form SD 100E, attach page 1 of Ohio form SD 2210-100E.