



## Individual Income Tax – School District

**S**chool districts' ability to levy an income tax dates back to 1979, when the Ohio General Assembly permitted such a tax solely to repay a state loan. Two years later, lawmakers repealed this law, which had not been used, and enacted Chapter 5748, granting broader authority for school districts to levy an income tax, subject to voter approval. In 1983, after voters in six districts approved such taxes, the legislature blocked other districts from enacting new income taxes by repealing most of the chapter. School districts' ability to enact income taxes was restored in 1989.

During fiscal year 2010, 178 of Ohio's 614 school districts levied the tax. In most districts the tax applies to Ohio taxable income, as reported on line 5 of Ohio individual income tax form IT 1040 or IT 1040 EZ; this base is known as the "traditional" tax base. In certain other districts, the tax only applies to earned income, such as wages, salary and self-employment income.

The Department of Taxation administers the school district income tax, including collections through employer withholding, individual quarterly estimated payments and annual returns. During fiscal year 2010, total net collections for all districts were approximately \$297.2 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. In districts that use the traditional tax base, the tax is also paid by the estates of persons who, at the time of their death, were residing in such a school district.

### Tax Base

(R.C. 5748.01)

#### "Traditional base" school districts

The "traditional base" of the tax is Ohio taxable income – meaning, Ohio adjusted gross income, less \$1,550 for each personal and dependent exemption claimed on the Ohio individual income tax return for 2009. The value of these exemptions is indexed to inflation.

#### "Earned income only" school districts

As of the end of the 2009 fiscal year, voters in 19 school districts had approved income taxes that only apply to earned income. Earned income 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. Earned income does not include retirement income, lottery winnings, interest, dividends, capital gains,

profit from rental activities, distributive shares of profit from S corporations, and any other unearned income.

Most exemptions and deductions permitted for the federal and state income taxes – such as those claimed on the front page of IRS form 1040 or on Schedule A of the Ohio IT 1040 – are not permitted for the "earned income only" version of the school district income tax. However, military pay received by the taxpayer while stationed outside Ohio is exempt from the tax.

### Rates

(R.C. 5748.02)

Rates are proposed by the school district board of education and must be approved by voters in the school district. Rates are set in increments of 0.25 percent. During fiscal year 2009, rates ranged from 0.5 percent to 2 percent.

### Special Provisions

#### Senior citizen credit (R.C.5748.06)

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.
- Taxpayers must make quarterly estimated payments if they expect to be under-withheld by more than \$500 on the combined school district and state 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 the state and school district income taxes by the last day of the month following March, June, September, and December.
- If the employer remits on a monthly basis or by electronic funds transfer 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. Deposited amounts accrue interest. 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

### House Bill 148 of the 128th General Assembly amended Revised Code 5748.02

This act changes from 75 to 90 days the minimum period prior to a general election for filing resolutions to be put on the ballot relating to school district income tax. The Bill also lengthened the period of time from 90 to 105 days for boards of education to file adopted resolutions with the appropriate county auditor and with the Tax Commissioner.

### Public Law 111-97 (the "Military Spouses Residency Relief Act," effective Nov. 11, 2009)

This act of Congress amended the "Service Members Civil Relief Act" to extend the principle of domicile that applies to service members to their spouses as well. Starting with tax years that begin Jan. 1, 2009, an individual who resides in a taxing jurisdiction solely due to the military orders of his/her spouse – and who is domiciled in another jurisdiction that is the same jurisdiction as his/her military spouse – remains subject to income tax in the jurisdiction of their domicile and is exempt from income tax in the jurisdiction where he/she is living with their service member spouse.

Table

	School District Income Tax Collections by Fiscal Year: 2005-2010					
	2005	2006	2007	2008	2009	2010
"Traditional base" districts	146	152	155	157	153	153
"Earned income only" districts	0	1	9	13	19	25
<b>Total districts levying the tax</b>	<b>146</b>	<b>153</b>	<b>164</b>	<b>170</b>	<b>172</b>	<b>178</b>
Individual Returns	\$64,413,461	\$85,737,114	\$109,112,417	\$115,840,480	\$109,252,212	\$110,540,423
Employer Withholding	132,269,908	150,211,785	178,394,566	220,696,342	223,927,682	214,902,468
<b>Total Collections</b>	<b>\$196,683,370</b>	<b>\$235,948,898</b>	<b>\$287,506,983</b>	<b>\$336,536,822</b>	<b>\$333,179,895</b>	<b>\$325,442,891</b>
Refunds and Administration	\$15,881,773	\$18,218,448	\$20,637,802	\$24,866,366	\$27,588,832	\$28,638,291
Interest Earned	915,517	1,551,584	2,527,516	2,259,576	1,206,431	438,513
<b>Net to School Districts</b>	<b>\$181,717,114</b>	<b>\$219,282,034</b>	<b>\$269,396,698</b>	<b>\$313,930,032</b>	<b>\$306,797,494</b>	<b>\$297,243,112</b>