



# Ohio Individual Income Tax Lump Sum Distribution Instructions

## Ohio Revised Code Sections 5747.05 and 5747.055

The following information explains how the lump sum retirement credit is calculated for recipients of a lump sum distribution (use worksheet LS WKS on page 3). These instructions also explain how the lump sum distribution credit is calculated for taxpayers who are 65 or older (use worksheet LS WKS on page 4). You may be able to claim both credits for the same year.

**Lump sum distribution defined** (see Internal Revenue Code [I.R.C.] section 402(e)(4)(D)) – A lump sum distribution is the payment of the employee’s entire balance from either his/her employer’s qualified pension plan, his/her employer’s qualified stock bonus plan or his/her employer’s qualified profit-sharing plan. The balance need not be distributed in one payment but must be fully paid out within one taxable year to the recipient in order for the distribution to qualify as a lump sum distribution. Furthermore, to qualify as a lump sum distribution, the distribution must have been made:

1. because of the participant’s death, or
2. because of the participant’s separation from service\* (for this purpose, a self-employed person is not considered an employee), or
3. after the participant (only if self-employed) becomes disabled as defined in I.R.C. section 72(m)(7).

**Note:** Distributions from university retirement plans (see I.R.C. section 403(b)) and from government deferred compensation plans (see I.R.C. section 457) do not qualify for either the lump sum retirement credit or the lump sum distribution credit because these plans are not described in I.R.C. section 401(a).

### I. Lump Sum Retirement Tax Credit

Ohio Revised Code sections (R.C.) 5747.055(C) and (D)

#### A. No Rollover of the Distribution

To be eligible for the lump sum retirement credit, the lump sum distribution must have been **received on account of retirement** and **must be included in Ohio adjusted gross income reported on line 3 of the Ohio income tax return, Ohio form IT 1040.**

If for federal income tax purposes you used federal form 4972, Tax on Lump Sum Distribution, to report all or part of the lump sum distribution, you must enter on the miscellaneous federal tax adjustments line on Schedule A of Ohio form IT 1040 the portion of the lump sum distribution taxed on federal form 4972.

\*The U.S. Sixth Circuit Court of Appeals, which has jurisdiction over Ohio, has determined that actual separation of service may occur as a result of an employer’s liquidation, merger or consolidation.

The credit is computed as follows:

1. Divide by your remaining life years as obtained from Table 2 on page 2 of these instructions the sum of the following amounts received on account of retirement and included in Ohio gross adjusted income: lump sum distribution plus all other retirement income.
2. Use the qualifying retirement income amount from step 1 to determine the corresponding credit from Table 1 on page 2.
3. Multiply the corresponding credit by your remaining life years. This product equals your lump sum retirement credit for the taxable year.
4. If the lump sum retirement credit is used in its entirety, no future lump sum retirement credit or annual retirement credit can be claimed on any future returns to which this taxpayer is a party (R.C. section 5747.055(E)(2)).
5. If the lump sum retirement credit exceeds the tax due after all other credits have been applied, subtract the tax due from the lump sum credit. Any excess credit is then divided by your remaining life years minus one year. The quotient is the retirement credit allowed for each subsequent return.

#### Example A – Lump Sum Retirement Credit

A taxpayer retires in 2007 and is 59 years old at the end of 2007. The taxpayer receives a \$60,000 lump sum retirement distribution, which is included in the Ohio adjusted gross income. The taxpayer’s lump sum retirement credit is computed as follows:

\$60,000 lump sum distribution		\$2,400	
<u>in Ohio adjusted gross income</u>	=	(amount of qualifying retirement income)	
25 years remaining life			

For \$2,400, \$50 is the corresponding credit (from Table 1 on page 2).

Then, \$50 x 25 years = **\$1,250** (lump sum retirement credit).

If the tax after the taxpayer applies all other credits is \$800, the taxpayer would compute the future annual retirement credit as follows:

\$1,250 lump sum retirement credit			
- 800 tax due (after applying all other credits)			
\$ 450 unused amount			
÷ (25 - 1) remaining life (years minus one)			

**\$18.75** future annual retirement credit (round to \$19 per year)

#### B. Total or Partial Rollover of the Distribution

If you received a lump sum distribution that qualifies for

the special Ohio tax treatment, as explained in Section A, and if the distribution is totally or partially rolled over into an Individual Retirement Account (IRA) or into another retirement plan trust, the following lump sum retirement credit is available:

1. If the **total** distribution is rolled over into an IRA or into another retirement plan trust, **no** Ohio lump sum retirement credit is available.
2. For a partial rollover, your Ohio lump sum retirement credit is based only on the portion of the distribution that is included in your Ohio adjusted gross income.

**Example B(1)** – The taxpayer retires and receives a \$75,000 lump sum distribution. The taxpayer rolls over the total distribution, so the entire amount is excluded from Ohio adjusted gross income. There is **no** Ohio credit because no portion of the distribution is included in the Ohio adjusted gross income.

**Example B(2)** – The taxpayer retires and receives a \$75,000 lump sum distribution. The taxpayer rolls over \$50,000 of the distribution into an IRA and includes only \$25,000 in Ohio adjusted gross income. In this example the Ohio lump sum retirement credit would be computed based on \$25,000. (Please refer to computation instructions in Section A on page 1.)

**II. Lump Sum Distribution Credit**

R.C. sections 5747.05(D) and (F).

If you are 65 or older and if you receive a lump sum distribution as defined by I.R.C. section 402(e)(4)(D), you may be entitled to claim a lump sum distribution credit, **which is in lieu of the \$50 senior citizen credit**. You may qualify for this credit even if you do not report any portion of the lump sum distribution in your Ohio adjusted gross income (line 3 on Ohio form IT 1040).

**A. Initial Use of Lump Sum Distribution Credit**

The **lump sum distribution credit** is computed as follows:

1. **For a taxpayer 65 or older:** \$50 times the taxpayer's remaining life years as determined from the annuity table, below.

**Note:** If the lump sum distribution credit is used, the taxpayer cannot claim the \$50 senior citizen credit. **No future senior citizen credit can be claimed on a return to which this taxpayer is a party.**

2. **For a taxpayer younger than 65 who received a qualifying distribution before Jan. 1, 1992:** The taxpayer may claim a credit of \$1,000 (\$50 x 20 years) or \$50 times the expected remaining life of a taxpayer who is 65.

**B. Prior Use of Lump Sum Distribution Credit**

If you had computed a lump sum distribution credit in a taxable year ending prior to July 1, 1983, you are entitled to a \$25 senior citizen credit once you reach 65. You cannot compute a new lump sum distribution credit if you receive a subsequent lump sum distribution.

Amount of qualifying retirement income received and included in Ohio adjusted gross income during the taxable year	Retirement income credit for the taxable year
\$ 500 or less	0
Over \$ 500, but not more than \$1,500	\$ 25
Over \$1,500, but not more than \$3,000	\$ 50
Over \$3,000, but not more than \$5,000	\$ 80
Over \$5,000, but not more than \$8,000	\$130
Over \$8,000	\$200

Age	Multiple	Age	Multiple	Age	Multiple	Age	Multiple	Age	Multiple	Age	Multiple
5	76.6	24	58.0	43	39.6	62	22.5	81	8.9	100	2.7
6	75.6	25	57.0	44	38.7	63	21.6	82	8.4	101	2.5
7	74.7	26	56.0	45	37.7	64	20.8	83	7.9	102	2.3
8	73.7	27	55.1	46	36.8	65	20.0	84	7.4	103	2.1
9	72.7	28	54.1	47	35.9	66	19.2	85	6.9	104	1.9
10	71.7	29	53.1	48	34.9	67	18.4	86	6.5	105	1.8
11	70.7	30	52.2	49	34.0	68	17.6	87	6.1	106	1.6
12	69.7	31	51.2	50	33.1	69	16.8	88	5.7	107	1.4
13	68.8	32	50.2	51	32.2	70	16.0	89	5.3	108	1.3
14	67.8	33	49.3	52	31.3	71	15.3	90	5.0	109	1.1
15	66.8	34	48.3	53	30.4	72	14.6	91	4.7	110	1.0
16	65.8	35	47.3	54	29.5	73	13.9	92	4.4	111	0.9
17	64.8	36	46.4	55	28.6	74	13.2	93	4.1	112	0.8
18	63.9	37	45.4	56	27.7	75	12.5	94	3.9	113	0.7
19	62.9	38	44.4	57	26.8	76	11.9	95	3.7	114	0.6
20	61.9	39	43.5	58	25.9	77	11.2	96	3.4	115	0.5
21	60.9	40	42.5	59	25.0	78	10.6	97	3.2		
22	59.9	41	41.5	60	24.2	79	10.0	98	3.0		
23	59.0	42	40.6	61	23.3	80	9.5	99	2.8		

# Ohio Lump Sum Retirement Credit Worksheet (1991 and subsequent taxable years)

Name:	Year:	Social Security number:
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If an individual receives a lump sum distribution on account of retirement, the taxpayer may be entitled to claim a lump sum retirement income credit. For the individual to be eligible, the distribution must be a qualified lump sum as defined by Internal Revenue Code (I.R.C.) section 402(e)(4)(D), and some portion of the lump sum distribution must be included in Ohio adjusted gross income on line 3 of the taxpayer's income tax return, Ohio form IT 1040.

**Important:** As a general rule, a taxpayer cannot claim the lump sum retirement credit for any subsequent lump sum distribution that the taxpayer receives. Exception: If the taxpayer has previously claimed a lump sum retirement credit and has a credit carryforward amount (see line 7e, below), then upon receiving a subsequent lump sum distribution, the taxpayer may be entitled to an additional lump sum retirement credit. For more information, please contact us at 1-800-282-1780 and ask for the Personal Income Tax Division's Legal Counsel.

### Section I – Answer the following to determine if you are eligible to claim the lump sum retirement income credit

- |   | Yes                         | No                       |
|---|-----------------------------|--------------------------|
| 1. Was the lump sum distribution received on account of retirement? .....   | 1. <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Was the lump sum distributed from a qualified employee benefit plan (such as pension, profit-sharing, stock bonus, Keogh, I.R.C. 401(k), STRS, PERS, SERS)? <b>Important:</b> See note on page 4 .....   | 2. <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Was the lump sum distribution made from all of the employer's qualified plans of one kind in which the employee had funds? .....   | 3. <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Was the lump sum distribution for the balance of the full amount credited to the employee? .....   | 4. <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Was the lump sum distribution paid within a single taxable year? .....   | 5. <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Was the lump sum distribution made because either (i) the employee died, quit, retired, was laid off or was fired or (ii) the taxpayer (if self-employed) became totally and permanently disabled? ..... | 6. <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is all or some portion of the lump sum distribution included in your Ohio adjusted gross income (line 3 on your Ohio income tax return, form IT 1040)? See note, below .....                             | 7. <input type="checkbox"/> | <input type="checkbox"/> |

If you answered "No" to any one or more of the above questions, **do not complete the rest of this page.** You **do not qualify** for the lump sum distribution credit.

**Note:** If for federal income tax purposes you used federal form 4972, Tax on Lump Sum Distribution, to report all or part of the lump sum distribution, you must enter on the miscellaneous federal tax adjustments line on Schedule A of Ohio form IT 1040 the portion of the lump sum distribution taxed on federal form 4972.

### Section II – How to figure the lump sum retirement credit

#### A. Lump sum retirement credit

1. Amount of retirement income (non-lump sum retirement income, if any, and lump sum distribution) included in Ohio adjusted gross income (see line 3 on Ohio form IT 1040) ... 1. \$ \_\_\_\_\_
2. Lump sum distribution recipient's age at the end of the taxable year of the distribution ... 2. \_\_\_\_\_
3. Life expectancy from Table 2 (page 2) based on age shown on line 2, above ..... 3. \_\_\_\_\_
4. Divide line 1 by line 3 ..... 4. \$ \_\_\_\_\_
5. Retirement income credit from Table 1 based on line 4 amount ..... 5. \$ \_\_\_\_\_
6. Lump sum retirement credit (line 3 times line 5). Enter amount here and on the "lump sum retirement credit" line on Schedule B of form Ohio form IT 1040 ..... 6. \$ \_\_\_\_\_

### If the lump sum retirement credit exceeds the tax due after all other credits, complete line 7; if not, stop here.

#### 7. Future retirement credit carryforward to subsequent taxable years

- a) Line 6 amount ..... 7a. \$ \_\_\_\_\_
- b) Ohio tax due after other credits ..... b. \$ \_\_\_\_\_
- c) Unused amount (line 7a minus line 7b). If 0 or less, stop here. .... c. \$ \_\_\_\_\_
- d) Line 3 minus 1 year ..... d. \_\_\_\_\_
- e) Future annual retirement credit carryforward amount (line 7c divided by line 7d) ..... e. \$ \_\_\_\_\_

If the lump sum retirement credit is used in its entirety, no lump sum retirement income credit or annual retirement income credit can be claimed on any future return to which this taxpayer is a party [Ohio Revised Code section 5747.055(E)(2)].

Please enclose with your Ohio individual income tax return (Ohio form IT 1040) or with your amended Ohio individual income tax return a copy of this worksheet and a copy of your form 1099R issued by the company or retirement plan that made the lump sum distribution.

# Ohio Lump Sum Distribution Credit Worksheet

Name:	Year:	Social Security number:
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If an individual receives a lump sum distribution as defined by Internal Revenue Code section (I.R.C.) 402(e)(4)(D), the taxpayer may be entitled to claim a lump sum distribution credit, **which is in lieu of the \$50 senior citizen credit.**

You may qualify for this credit even if you do not report in your Ohio adjusted gross income (line 3 on Ohio form IT 1040) any portion of the lump sum distribution.

**Section I – Are you eligible to claim the lump sum distribution credit?**

If the answers to questions 1 through 6 are **all** “yes,” then the distribution qualifies for the lump sum distribution credit.

- |  | Yes                         | No                       |
|--|-----------------------------|--------------------------|
| 1. Was the lump sum recipient 65 or older at the end of the taxable year of the distribution? .....  | 1. <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Was the lump sum distributed from a qualified employee benefit plan (such as pension, profit-sharing, stock bonus, Keogh, I.R.C. 401(k), STRS, PERS, SERS)? <b>Important:</b> See note, below ..... | 2. <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Was the distribution made from all of the employer’s qualified plans of one kind in which the employee had funds? .....   | 3. <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Was the distribution for the balance of the full amount credited to the employee? .....   | 4. <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Was the distribution paid within a single taxable year? .....   | 5. <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Was the distribution made because either (i) the employee died, quit, retired, was laid off or was fired or (ii) the taxpayer (if self-employed) became totally and permanently disabled? .....     | 6. <input type="checkbox"/> | <input type="checkbox"/> |

If you answered “**No**” to any one or more of the above questions, you **do not qualify** for the lump sum distribution credit. **Do not complete the rest of this page.**

**Section II – How to figure the lump sum distribution credit**

Complete Section II only if you answered “Yes” to all six questions above.

1. Lump sum distribution recipient’s age at the end of the taxable year of the distribution (if less than 65, **stop here – you are not eligible for this credit**) ..... 1. \_\_\_\_\_
2. Life expectancy from Table 2 (page 2) based on line 1 ..... 2. \_\_\_\_\_
3. Multiply line 2 by \$50. This amount is your lump sum distribution credit (**limit \$1,000**). Enter here and on the “lump sum distribution credit” line on Schedule B of Ohio form IT 1040 ..... 3. \$ \_\_\_\_\_

**Note:** You may claim the lump sum distribution credit only once. By claiming this credit, you are no longer eligible for the annual senior citizen credit of \$50 on any return to which you are a party.

Please enclose with your Ohio individual income tax return (Ohio form IT 1040) or with your amended Ohio individual income tax return a copy of this worksheet and a copy of your form 1099R issued by the company or retirement plan that made the lump sum distribution.

**Note:** Distributions from university retirement plans (see I.R.C. section 403(b)) and from government-deferred compensation plans (see I.R.C. section 457) do not qualify for either the lump sum retirement credit or the lump sum distribution credit because these plans are not described in I.R.C. section 401(a).