

## 2020 Ohio Employer and School District Withholding Tax Filing Guidelines

### Employer Withholding

#### **Who Must Register**

All employers maintaining an office or transacting business in Ohio and required to withhold federal income tax must register within 15 days when such liability begins. Register online through the Ohio Business Gateway (OBG) at [business.ohio.gov](https://business.ohio.gov) and follow the instructions for Ohio Withholding Registration. If you have any questions about registering, call 1-888-405-4089.

#### **Who Must Withhold Ohio Income Tax**

Every employer maintaining an office or transacting business within the state of Ohio and making payment of any compensation to an employee, whether a resident or nonresident, must withhold Ohio income tax.

Withholding is not required if the compensation is paid for or to:

- Agricultural labor as defined in Internal Revenue Code §3121(g).
- Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority.
- Service performed in any calendar quarter by an employee unless the cash remuneration paid for such service is \$300 or more and such service is performed by an individual who is regularly employed by such employer to perform such service.
- Services performed for a foreign government or international organization.
- Services performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news.
- Services not in the course of the employer's trade or business to the extent paid in any medium other than cash.
- Residents of Michigan, Indiana, Kentucky, West Virginia or Pennsylvania earning compensation for services provided in Ohio.
- A civilian spouse of a military service member if the service member and spouse have the same state of residency, and their state of residency is in another state pursuant to the service member's military records.

#### **How Much Tax To Withhold**

The employer withholding tables are posted at [https://www.tax.ohio.gov/employer\\_withholding.aspx](https://www.tax.ohio.gov/employer_withholding.aspx).

#### **Required Returns and Forms**

**Employee's Withholding Exemption Certificate (Ohio IT 4):** Each employee must complete an Ohio IT 4, Employee's Withholding Exemption Certificate, or the employer shall withhold tax from the employee's compensation without exemption. In certain situations, in lieu of completing an IT 4, an employee must complete an IT 4NR, IT 4MIL or IT MIL SP. All of these forms must be kept on file with the employer's payroll records.

**Ohio Withholding Tax Returns:** Employers are required to electronically file Ohio employer and school district withholding returns and make payment of these taxes withheld either on the Ohio Business Gateway (OBG) or by any other electronic means prescribed by the tax commissioner. See Ohio Adm. Code 5703-7-19.

You can access OBG by clicking this link, [business.ohio.gov](https://business.ohio.gov). You will need the FEIN (Federal Employer Identification Number), legal name of the business and your e-mail address. Once registered, you can start filing your employer withholding returns immediately.

## The Forms an Employer Must File:

- IT 501 Payment of Income Tax Withheld
  - To report and pay the Ohio income tax withheld for the period.
  - Employers are **not required** to file if no Ohio Income tax was withheld or required to be withheld for the period.
  - The filing of all IT 501's **does not** complete your filing requirement for the tax year.
  
- IT 941 Annual Reconciliation of Income Tax Withheld
  - To be filed by employers with quarterly or monthly filing frequency (See filing frequency explanations below).
  - A reconciliation of the Ohio income tax withheld or required to be withheld and payments for the entire calendar year.
  - Employers are required to file by January 31st of the following tax year or no later than 15 days after the discontinuation of the business.
  
- IT 942 Quarterly Reconciliation of Income Tax Withheld
  - To be filed only by employers with a partial-weekly filing frequency.
  - A reconciliation of the Ohio income tax withheld or required to be withheld and payments for each of the 1st, 2nd, and 3rd quarters.
  - Due on the last day of the month following the end of each calendar quarter.
  
- IT 942 4th Quarter/Annual Reconciliation of Income Tax Withheld
  - To be filed only by employers with a partial-weekly filing frequency.
  - A reconciliation of the Ohio income tax withheld and payments for the 4th quarter as well as the entire calendar year.
  - Due January 31st of the following tax year or no later than 15 days after the discontinuation of the business.
  
- IT 3 Transmittal of Wage and Tax Statements & W-2 or 1099-R's
  - All employers are strongly encouraged to submit their W-2 information electronically regardless of how many W-2 forms they issue.
  - The option to submit W-2 information via CD has been eliminated. The only option to submit this information will be through the Ohio Business Gateway by the due date of January 31st.
  - **Those who issue 250 or more W-2's:** You are required to submit your W-2 information electronically through the W-2 Upload Feature on the Ohio Business Gateway. No paper IT 3 is required to be filed, since the W-2 Upload Feature creates an IT 3 from the W-2 information submitted.
  - **Those who issue less than 250 W-2's:** You are strongly encouraged to use the W-2 Upload Feature on the Ohio Business Gateway. If you choose **not** to utilize the upload feature, you are only required to file the paper IT 3 without the corresponding W-2's with the Ohio Department of Taxation (ODT).
    - If you choose not to utilize the upload feature and only file the paper IT 3, note that ODT may request W-2 information to be submitted via the Ohio Business Gateway W-2 Upload Feature when conducting ODT compliance programs.
  
  - **Those who issue more than 250 1099-R's**
    - 1099-R information is still being accepted via CD. 1099-R specifications can be viewed at: [tax.ohio.gov/employer\\_withholding](http://tax.ohio.gov/employer_withholding).
    - Please only remit 1099-R's that contain Ohio withholding along with a paper IT-3.
    - 1099-R CD must be sent along with an IT-3 to ODT by the January 31st due date.

**Note:** Those who issue W-2's or 1099-R's are required to maintain these tax records, including W-2 information, for at least four years from the due date.

**Filing Frequency:** An employer's filing and payment frequency for Ohio employer withholding tax purposes is determined for each calendar year by the combined amount of Ohio and school district income taxes that were withheld or required to be withheld during the 12-month period ending June 30 of the preceding calendar year (look-back period).

- **Quarterly** payments must be made with the filing of the Ohio IT501 on OBG by the last day of the month following the end of each calendar quarter, if the combined amount of taxes that were withheld or required to be withheld was \$2,000 or less during the look-back period. Employers who registered on or after July 1 of the preceding calendar year will also remit quarterly, unless notified otherwise.
- **Monthly** payments must be made with the filing of the Ohio IT501 on OBG within 15 days following the end of each month, if the combined amount of taxes that were withheld or required to be withheld was greater than \$2,000 but less than \$84,000 during the look-back period.
- **Partial-weekly** payments must be made by electronic funds transfer (EFT) within three banking days from the end of each partial-weekly period in which the employer issued its payroll, if the combined amount of taxes that were withheld or required to be withheld was \$84,000 or more during the look-back period.
  - EFT payments must be made through the Ohio Treasurer of State.
  - There are two partial-weekly withholding periods each week. One consists of a consecutive Saturday, Sunday, Monday and Tuesday and another that consists of a consecutive Wednesday, Thursday and Friday. Your partial-weekly period is determined based upon the day of the week that the employer issued its payroll; however, a partial-weekly withholding period cannot extend from one calendar year into the next.
  - If the combined employer and school district income tax withheld by an employer during a pay period reaches \$100,000 or more, payment of the Ohio income tax portion of this withheld amount (excluding school district income taxes) is due by the first banking day after the date the employer issued its payroll on which the combined withholding equals or exceeds \$100,000.

#### **Filing Corrections**

- If an overpayment is identified during the current calendar year, the employer must make the adjustment by reducing the Ohio tax withheld reported on the next Ohio IT 501 filed or EFT payment made.
- If an overpayment or underpayment is identified after the IT 941 or 4th Quarter/Annual IT 942 Reconciliation has been filed, the employer must file an amended IT 941 or 4th Quarter/Annual IT942 Reconciliation reflecting the overpayment or balance due.
- You CANNOT take an overpayment as a credit in a subsequent year.
- If an amended IT 941 or 4th Quarter Annual Reconciliation also involves issuing W-2C's, contact [IncomeStatementsEWT@tax.state.oh.us](mailto:IncomeStatementsEWT@tax.state.oh.us) for instructions on how to submit the W-2C file.

#### **Interest and Penalty Charges**

For both Ohio's employer withholding and school district withholding taxes, interest is due from the return due date until the date the tax is paid. The interest rate for calendar year 2020 is 5%.

A **failure-to-file** penalty, 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, may be charged if you fail to **file** your Ohio employer withholding tax return by the due date.

A **failure-to-pay** penalty of 10% of the delinquent payment plus double the applicable interest may be charged if you do not **pay** the tax by the applicable due date.

A **withheld but not remitted** penalty of 50% of the delinquent payment plus double the applicable interest may be charged if you withhold the tax from your employees but fail to remit the amounts to the Ohio Department of Taxation.

An additional \$50 bad-check charge may be imposed against any taxpayer whose payment is dishonored by the bank. See R.C. 5747.15.

### **Employer's Liability for Withheld Tax**

Each employer is liable for the Ohio income tax required to be withheld. For purposes of assessment and collection, amounts required to be withheld and paid to the Ohio Department of Taxation are considered to be a tax on the employer.

The officer or the employee having control or supervision of or charged with the responsibility of filing the report and making payment shall be held **personally liable** for any failure to file the report and/or pay the tax as required by law.

### **What Records To Keep**

Every employer required to withhold Ohio income tax is required to maintain accurate records of all persons from whom tax is collected for a period of four years from the due date.

Records must include:

1. Amounts and dates of all compensation paid, and taxes withheld by pay period.
2. Names, addresses, school district of residence, principle county of employment (nonresidents) and SSN's of all employees receiving compensation.
3. Periods of employment, including periods during which compensation is paid while absent due to sickness or injury.
4. Copies of W-2's, 1099-R's and IT 3.

### **Updating the Ohio Employer Account**

Send a change in name or address on the Business Account Update Form (BA UF). This form is available at [tax.ohio.gov](http://tax.ohio.gov).

### **Employers That Obtain a New FEIN**

If a change in ownership or in the business entity type (such as changing from a sole proprietorship to a corporation) occurs and you receive a new FEIN, you must file a final IT 941 or IT 942 reconciliation for the old Ohio withholding account number and you will need to obtain a new Ohio withholding account number.

If a merger has taken place, the non-surviving entity must file a final Ohio IT 941 or IT 942 annual reconciliation and notify us of the merger by completing a Business Account Update Form (BA UF) that can be found on our website.

## **School District Withholding**

### **Who Must Register**

If you have registered for an employer withholding account, you do not need to register separately for school district withholding. Employers use the same account number for both employer and school district withholding.

### **Who Must Withhold**

Ohio law requires you to ask each employee for the school district in which they reside. If you have an employee who resides in a school district with a school district income tax in effect, then you must withhold this tax from the employees' compensation, even if you conduct no business or operations in that school district. Employers not fulfilling these requirements are subject to penalties and interest for any unpaid school district income taxes even if the taxes were not withheld.

Employees can verify their school district and corresponding four-digit code by contacting their county auditor or by using [The Finder](#) at [tax.ohio.gov](http://tax.ohio.gov).

### **How Much Tax to Withhold**

**Traditional Tax Base Districts:** Employers must use the same wage base and number of exemptions they use for withholding Ohio income tax and use the school district withholding tables.

**Earned Income Tax Base Districts:** Employers must withhold at a flat rate equal to the tax rate for the district with no reduction or adjustment for personal exemptions.

### **Required Returns and Forms**

#### **Employee's Withholding Exemption Certificate, Ohio IT 4:**

Every employer liable for Ohio withholding tax must keep on file the Ohio IT 4, Employee's Withholding Exemption Certificate, for each employee. This provides a record of the school district name and number in which the employee resides. Employees must update the Ohio IT 4 whenever previous information becomes insufficient or incorrect.

#### **The Forms an Employer Must File:**

- SD 101 Payment of School District Income Tax Withheld
  - To report and remit Ohio school district income tax withheld for the period.
  - Employers **are not** required to file if no Ohio school district income tax was withheld or required to be withheld for the period.
  - The filing of all SD 101's **does not** complete your filing requirement for the tax year.
- SD 141 Annual Reconciliation of School District Income Tax Withheld
  - A reconciliation of the school district income tax withheld or required to be withheld and payments by school district for the entire calendar year.
  - Employers are **required** to file by January 31st of the following tax year or no later than 15 days after discontinuation of the business.

### **Filing Frequency**

Your school district income tax withholding filing frequency is the same as your employer withholding filing frequency for all filers **except** partial-weekly filers. All partial-weekly filers are required to file school district withholding **monthly**.

## Filing Corrections

- If an overpayment is identified for a specific school district during the current calendar year, the employer must make the adjustment by reducing the school district withholding payment for that same school district when filing the next SD 101.
- If an overpayment still remains at the end of the current calendar year, you can claim it on the SD 141 as an overpayment.
- You must reconcile each year when filing the SD 141 by paying any balance due or requesting any overpayment because the return must balance in order to be processed.
- If an overpayment or underpayment is identified after the SD 141 reconciliation has been filed, the employer must file an amended SD 141 reconciliation reflecting the overpayment or balance due.
- You CANNOT take an overpayment as a credit in a subsequent year.
- If an amended SD 141 also involves issuing W-2C's contact [IncomeStatementsEWT@tax.state.oh.us](mailto:IncomeStatementsEWT@tax.state.oh.us) for instructions on how to submit the W-2C file.

## Interest and Penalty Charges

Interest and penalty charges for school district withholding are the same as employer withholding.

## Contact Information

Additional information, including information releases, FAQs, and archived Tax Alerts is available at [tax.ohio.gov](http://tax.ohio.gov).

Taxpayers may also contact us at 1-888-405-4039 (1-800-750-0750 for persons who use text telephone (TTYs) or adaptive telephone equipment).

Any correspondence with our office must include your contact information (phone, address, email, etc.), Ohio withholding account number, and the **last four (4)** digits of the employer's FEIN.