



## Ohio Individual Income Tax Lump Sum Credit Instructions

### Ohio Revised Code Sections 5747.05 and 5747.055

The following information explains how the lump sum retirement credit and the lump sum distribution credit are calculated for recipients of a qualifying lump sum distribution. You may be able to claim both credits for the same year.

**Important:** For tax years 2015 and later, both of these credits are only available to taxpayers whose adjusted gross income less exemptions (Ohio IT 1040, line 5) is less than \$100,000.

**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 (R.C.) sections 5747.055 (C), (D), (E)

This credit is taken **in lieu of the annual retirement credit.**

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

If the entire distribution is rolled over into an Individual Retirement Account (IRA) or into another retirement plan trust, no lump sum retirement credit is available. If a portion of the distribution is rolled over, only the portion included in Ohio adjusted gross income may be used to calculate the lump sum retirement credit.

\*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.

#### Example A – Lump Sum Retirement Credit Calculation

A taxpayer retires in 2017 and is 59 years old at the end of 2017. The taxpayer receives a \$60,000 lump sum retirement distribution, all of which is included in their Ohio adjusted gross income. The taxpayer’s lump sum retirement credit is computed as follows:

$$\begin{array}{rcl} \$60,000 \text{ lump sum distribution} & & \\ \text{in Ohio adjusted gross income} & & \\ \hline 25 \text{ years remaining life} & = & \$2,400 \text{ (amount of} \\ \text{(Table 2 on page 3)} & & \text{qualifying retirement} \\ & & \text{income)} \end{array}$$

For \$2,400, \$50 is the corresponding credit (Table 1 on page 3).

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

If the tax on line 1 of the Ohio Schedule of Credits is \$800, the taxpayer would compute the future annual retirement credit as follows:

$$\begin{array}{rcl} \$ & 1,250 & \text{lump sum retirement credit} \\ & -800 & \text{tax due} \\ \$ & 450 & \text{unused amount} \\ \div & (25 - 1) & \text{remaining life (years minus one)} \\ \hline \$ & \mathbf{18.75} & \text{future lump sum retirement credit (round to \$19)} \end{array}$$

**No annual retirement credit can be claimed on a future return to which the taxpayer is a party.**

#### II. Lump Sum Distribution Credit

R.C. section 5747.055 (G)

This credit is taken **in lieu of the \$50 senior citizen credit.**

To be eligible for the lump sum distribution credit, the recipient of the qualifying lump sum distribution must be age 65 or older in the year of receipt. It is not necessary for any portion of the distribution to be included in Ohio adjusted gross income to qualify for this credit.

The credit is \$50 times the recipient’s remaining life years as determined from Table 2 on page 3. **No senior citizen credit can be claimed on a future return to which the taxpayer is a party.**



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# Ohio Lump Sum Retirement/Distribution Credit Worksheet

Name:	Year:	SSN:
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This worksheet is for the Ohio lump sum credits found on the Ohio Schedule of Credits. Include both pages of this worksheet with your Ohio IT 1040 and the Ohio Schedule of Credits if you are taking either of the Ohio lump sum credits. Also include copies of all your 1099-R forms.

## Section I – Income Test for Tax Years 2015 and Later

If you are completing this worksheet for a tax year prior to 2015, you may skip this question and start with Section II.

- |                                                                                                    | Yes                         | No                       |
|----------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|
| 1. Is your adjusted gross income less exemptions (Ohio IT 1040, line 5) less than \$100,000? ..... | 1. <input type="checkbox"/> | <input type="checkbox"/> |

If you answered “No” to the above question, **STOP**. You are not eligible for either of the Ohio lump sum credits. If you answered “Yes,” continue to Section II.

## Section II – Determine If You Have a Qualified Lump Sum Distribution

- |                                                                                                                                                                                                                           | Yes                         | No                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|
| 1. Was the lump sum distributed from a qualified employee benefit plan, such as a pension, profit-sharing, stock bonus, Keogh, IRC 401(k), STRS, PERS, SERS? .....                                                        | 1. <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Was the distribution the employee’s entire balance in the account?.....                                                                                                                                                | 2. <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Was the distribution paid within a single taxable year?.....                                                                                                                                                           | 3. <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Was the distribution made because either (a) the employee died, quit, retired, was laid off, fired, or was age 59.5 or older, or (b) the taxpayer was self-employed and became permanently and totally disabled? ..... | 4. <input type="checkbox"/> | <input type="checkbox"/> |

If you answered “No” to any of the four questions above, **STOP**. You are not eligible for either of the Ohio lump sum credits.

If you answered “Yes” to all four questions, you may be eligible for one or both of the Ohio lump sum credits. Please proceed to Sections III and IV.

## Section III – Determine Eligibility for and Calculate the Lump Sum Retirement Credit

Complete sections I and II before completing this section. This credit is for taxpayers who have received a qualified lump sum distribution on account of retirement and have included a portion of it in the calculation of line 3 of the Ohio income tax return, IT 1040. This credit is taken in lieu of the annual retirement credit that would be taken in the same tax year.

- |                                                                                                                                | Yes                         | No                       |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|
| 1. Did you receive the lump sum distribution on account of retirement?.....                                                    | 1. <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Is all or some portion of the distribution included in your Ohio adjusted gross income on line 3 of the Ohio IT 1040? ..... | 2. <input type="checkbox"/> | <input type="checkbox"/> |

If you answered “Yes” to both of the above questions, you are eligible for the lump sum retirement credit. Calculate the credit as follows:

1. Amount of retirement income (non-lump sum retirement income, if any, and lump sum distribution(s) included in Ohio adjusted gross income on the Ohio IT 1040, line 3 .....1. \$ \_\_\_\_\_
2. Lump sum distribution recipient’s age at the end of the taxable year of the distribution.....2. \_\_\_\_\_
3. “Multiple” from Table 2 (page 3) based on the age entered on line 2.....3. \_\_\_\_\_
4. Divide line 1 by line 3 .....4. \$ \_\_\_\_\_
5. Retirement income credit from Table 1 (page 3) based on the amount on line 4.....5. \$ \_\_\_\_\_
6. Lump sum retirement credit (line 3 times line 5). Enter here and on the “lump sum retirement credit” line on the Ohio Schedule of Credits .....6. \$ \_\_\_\_\_

**If the lump sum retirement credit exceeds the tax due, complete line 7; if not, stop here.**

7. Future retirement credit carryforward to subsequent taxable years
  - a) Ohio tax due (line 1 on the Ohio Schedule of Credits) .....7a. \$ \_\_\_\_\_
  - b) Unused amount (line 6 minus line 7a). If 0 or less, stop here.....7b. \$ \_\_\_\_\_
  - c) Line 3 minus 1 year .....7c. \_\_\_\_\_
  - d) Future annual retirement credit carryforward amount (line 7b divided by line 7c).....7d. \$ \_\_\_\_\_

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 Ohio IT 1040 return to which the taxpayer is a party. Enclose both pages of this worksheet and all of your 1099-R forms with your Ohio IT 1040.



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## Ohio Lump Sum Retirement/Distribution Credit Worksheet

### Section IV – Determine Eligibility for and Calculate the Lump Sum Distribution Credit

Complete sections I and II before completing this section. This credit is for taxpayers who have received a qualified lump sum distribution and are age 65 or older in the current tax year. This credit is taken in lieu of the senior citizen credit that would be taken in the same tax year. A taxpayer may qualify for the credit even if s/he does not report any portion of the lump sum distribution in his/her Ohio adjusted gross income on line 3 of the Ohio IT 1040.

1. Were you at least 65 years old by the end of the taxable year of the distribution? ..... 1.  **Yes**  **No**

If you answered “**Yes**” to the above question, you are eligible for the lump sum distribution credit. Calculate the credit as follows:

1. Lump sum distribution recipient’s age at the end of the taxable year of the distribution ..... 1. \_\_\_\_\_
2. “Multiple” from Table 2 (page 3) based on the age entered on line 1 ..... 2. \_\_\_\_\_
3. Lump sum distribution credit (line 2 times \$50; cannot exceed \$1,000). Enter here and on the “lump sum distribution credit” line on the Ohio Schedule of Credits ..... 3. \$ \_\_\_\_\_

If the lump sum distribution credit is used, no lump sum distribution credit or senior citizen credit can be claimed on any future Ohio IT 1040 return to which the taxpayer is a party. However, claiming the lump sum distribution credit on the Ohio IT 1040 return does not make the taxpayer ineligible for the senior citizen credit available on the SD 100 return. Enclose both pages of this worksheet and all of your 1099-R forms with your Ohio IT 1040.

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		