Income Tax - Information Release

IT 2006-01 – Estimated Payment Allocation Process

Introduction

The purpose of this information release is to advise taxpayers that the Ohio Department of Taxation (ODT) has modified the process it uses for reconciliation of estimated payments for Ohio’s individual income tax and school district income tax returns. The new estimated payments allocation process is effective April 1, 2006.

In the past, joint estimated payment vouchers were split evenly (50/50) between both spouses. In general, this process was sufficient for those taxpayers who filed their return utilizing the “married filing jointly” status. However, this process also caused some erroneous billing letters for some “married filing separately” status taxpayers when the reconciliation of the estimated payments between the spouses did not reflect the 50/50 payment allocation.

Based on feedback from several taxpayers and tax practitioners, ODT modified the allocation process. The new process is explained below.

Guidance

Tax returns filed utilizing the “married filing jointly” and “single” filing status will continue to apply estimated payments matching the primary social security number on the tax return and the estimated payment vouchers. ODT’s system will also apply the estimated payments properly on a “married filing jointly” return even if the social security numbers are inverted on the estimated voucher(s) versus the tax return.

To address married taxpayers who remitted joint estimate payment vouchers but subsequently filed their tax returns utilizing the “married filing separately” status, ODT will apply the previous year credit carryforward and estimated payments to the first return posted through the department’s computer system. Routinely, a taxpayer counts on the previous year credit carryforward as the first quarter estimated payment for the subsequent tax year. Because of this assumption, the previous year credit carry forward will always be the first payment applied to the first return processed through the ODT system. This process will continue with available estimated payments up to the amount requested on the estimated payment line of the first return posted to the system. If there are funds remaining that were not used to satisfy the amount requested on the

* An information release does not create legal obligations by its own force. Only an administrative rule can “confer the force of law on a requirement.” See Progressive Plastics, Inc. v. Testa, 133 Ohio St.3d 490, 2012-Ohio-4759.
estimated payment line of the first IT-1040 or the SD-100 return to pass through the ODT system, any remaining amounts will be credited against the second spouse’s “married filing separately” return when it posts to the system.

Please note that payment vouchers received with only one taxpayer’s name and social security number will only be applied to the tax return that matches the payment voucher. This policy/procedure will apply if the taxpayer files a “single,” “married filing separately” or “married filing jointly” return.

Taxpayers are reminded that Ohio law requires the Ohio filing status to match the filing status on the federal income tax return. Returns transmitted electronically will also apply estimated payments based upon the first return processed through the ODT system. In the event both spouses’ returns are transmitted on the same date, ODT’s receipt time stamp will be used to identify the tax return that posted first. If identical, the spouse with the lowest social security number will be deemed to be the first return processed.

Questions?

Taxpayers may visit www.tax.ohio.gov. Questions may be submitted by clicking on the “Contact” link found at the top right of the page and then choosing the “Email Us” option. Taxpayers with additional questions regarding this subject may contact Individual Income Taxpayer Services at 1-800-282-1780.