

Ohio Income Tax Update: Changes in how Unemployment Benefits are taxed for Tax Year 2020

On March 31, 2021, Governor DeWine signed into law Sub. S.B. 18, which incorporates recent federal tax changes into Ohio law effective immediately. Specifically, federal tax changes related to unemployment benefits in the federal American Rescue Plan Act (ARPA) of 2021 will impact some individuals who have already filed or will soon be filing their 2020 Ohio IT 1040 and SD 100 returns (due by May 17, 2021).

Ohio taxes unemployment benefits to the extent they are included in federal adjusted gross income (AGI). Due to the ARPA, the IRS is allowing certain taxpayers to deduct up to \$10,200 in unemployment benefits. Certain married taxpayers who both received unemployment benefits can each deduct up to \$10,200. This deduction is factored into the calculation of a taxpayer's federal AGI, which is the starting point for Ohio's income tax computation.

Some taxpayers will file their 2020 federal and Ohio income tax returns *after* the enactment of the unemployment benefits deduction, and thus will receive the benefit of the deduction on their original returns. However, many taxpayers filed their federal and Ohio income tax returns and reported their unemployment benefits *prior* to the enactment of this deduction.

As such, the Department offers the following guidance related to the unemployment benefits deduction for tax year 2020:

- **Taxpayers who do not qualify for the federal unemployment benefits deduction.**
 - Ohio does not have its own deduction for unemployment benefits. Thus, if taxpayers do not qualify for the federal deduction, then all unemployment benefits included in federal AGI are taxable to Ohio.
- **Taxpayers who previously claimed the unemployment benefits deduction on their originally filed federal and Ohio tax returns.**
 - Taxpayers who already claimed the unemployment benefits deduction on their originally filed federal return and report that federal AGI on line 1 of their Ohio IT 1040 do **not** need to take any additional action.
- **Taxpayers who previously filed federal and Ohio tax returns without the unemployment benefits deduction, but who are not entitled to any additional Ohio refund.**
 - Taxpayers who previously filed their federal and Ohio returns prior to the enactment of this federal deduction **and** whose Ohio income tax liability amount (IT 1040, line 10) was \$0, do **not** need to take any additional action. Such taxpayers are **not** entitled to any additional Ohio refund.

- **Taxpayers who are amending their federal return to claim the unemployment benefits deduction.**
 - Taxpayers who file an amended federal return should wait to file their amended Ohio IT 1040 (and an amended SD 100 for those who reside in a traditional tax base school district, click [here](#) for more information about school district income tax) until the IRS has approved the requested changes. Taxpayers must include the following with their amended Ohio return(s):
 1. A copy of their federal amended return;
 2. A copy of their federal refund check or proof of direct deposit;
 3. A “Reasons and Explanation of Corrections” form (Ohio form IT RE or SD RE); AND
 4. Any other supporting documentation needed to substantiate the changes reported.

In place of items 1 and 2, taxpayers may provide their IRS Tax Account Transcript **if** the transcript reflects a reduction in their federal AGI based on the unemployment benefit deduction.

- **Taxpayers who previously filed federal and Ohio tax returns and are waiting for IRS to issue a refund based on the unemployment benefits deduction.**
 - All other taxpayers who previously filed their federal and Ohio returns prior to the enactment of this federal deduction and are waiting for the IRS to issue a refund based on the unemployment benefits deduction do **not** need to take any additional action on their originally filed Ohio IT 1040 return (and/or SD 100) at this time. The Department will provide further guidance when more details are available from the IRS, please continue to monitor our website.

The IRS’s current guidance on the federal taxation of unemployment benefits can be found [here](#) and how they will recalculate taxes on unemployment benefits can be found [here](#).

If you have additional questions or need assistance, please visit tax.ohio.gov to email us or call 1-800-282-1780 (1-800-750-0750 for persons who use text telephones (TTYs) or adaptive telephone equipment), to speak with a taxpayer services representative.