PTE Tax Alert Updates to Form IT/SD 2210 & Removal of Credit Carryforwards on Pass-Through Entity and Fiduciary Income Tax Returns

The Ohio IT/SD 2210. Beginning with tax year 2017 (the current filing season), Ohio form IT/SD 2210, the form used to calculate the “Interest Penalty on Underpayment of Ohio Individual Income, School District Income and Pass-Through Entity Tax” has been updated to better conform with the process and requirements delineated under Ohio law. See R.C. 5747.09 and R.C. 5747.43.

Generally, if a taxpayer (an IT 4708 and/or IT 1041 filer) or qualifying entity (an IT 1140 filer) fails to adequately and timely make estimated payments, the statutorily mandated “interest penalty” will be added to the taxpayer or qualifying entity’s tax due. The interest penalty is calculated based on the taxpayer or qualifying entity's underpayment on each of the required estimated payment due dates. No interest penalty is due if the taxpayer’s tax liability is $500 or less, the qualifying entity’s adjusted qualifying amount is $10,000 or less, or if either of the following “safe harbors” are met:

- The taxpayer or qualifying entity made estimated payments for the current tax year totaling at least 100% of the previous year's tax liability; or
- The taxpayer or qualifying entity made estimated payments for the current tax year totaling at least 90% of the current year's tax liability.

Please note, the final estimated payment is made after the close of the IT 4708, IT 1041, or IT 1140 filer’s tax year, when the taxpayer or qualifying entity’s income for the tax year is finalized. As such, after the close of the tax year but before the final estimated payment is due, the IT 4708, IT 1041, or IT 1140 filer should review previous estimated payments and “true up” as necessary.

The updated version of the form was posted in September 2017 on the Department of Taxation’s website at https://www.tax.ohio.gov/Forms.aspx. For a current copy of the form and its instructions, please visit: https://www.tax.ohio.gov/portals/0/forms/ohio_individual/individual/2017/PIT_IT2210.pdf. The safe harbors and interest penalty calculation for IT 4708 and IT 1041 filers can be found on page 2 of the form; the safe harbors and interest penalty calculation for IT 1140 filers can be found on page 3. The long-form used for the annualized calculation of the interest penalty is no longer available.

Credit Carryforwards. Also beginning with tax year 2017, all overpayments will be refunded to the taxpayer or qualifying entity. Credit balances will no longer be carried forward to the next taxable period. The commissioner, as required by R.C. 5747.12 and 5703.77, will withhold from any refund the amount of any of the taxpayer’s tax debt certified to the attorney general under R.C. 131.02 and the amount of the taxpayer's liability, if any, for a tax or fee. The goal is to get refunds into the hands of the taxpayer as quickly as possible.

ODT previously announced this change at the end of last year during public presentations, and prominently included this change in the “Highlights for 2017” section of the instruction booklet for the IT 1140, the IT 4708, and the IT 1041.

Questions. If you have additional questions or require more information, please visit www.tax.ohio.gov, click on the “Contact” link found at the top right of the page and then choose the “Email Us” option. Taxpayers with additional questions regarding this subject can also contact Business Taxpayer Services at 1-888-405-4039, or at 1-800-750-0750 for the hearing impaired.