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To: School Treasurers
 From: Mike Sobul, Section Chief, Tax Analysis Division
 Peter Sorem, Auditor of State's Office
 Date: December 5, 2006
 Subject: Allocation method for additional school district income taxes where the additional levy has a purpose different from the original levy

When a school district enacts an income tax that is in addition to an income tax that already exists and the purpose of the additional tax is different from the purpose of the existing tax, special rules must be put in place to allocate the proceeds from the combined tax rate between the two purposes. This memo lays out the formulas to be used by the school district to apportion revenue from the tax, the administrative fee, and refunds. All interest income is to be allocated to the general revenue fund. The directions in the tables below refer to the monthly allocation sheet the districts receive from the Department of Taxation at the same time a distribution of the income tax is made (see attached).

Table 1: Amount of Revenue to be Allocated to the Additional Levy*

Month	Revenue
April, Year 1	(Amount shown as SDWH-101 * 0.667) * (Additional Rate / Total Rate)
July Year 1 – Jan. Year 2	(Amount shown as SDWH-101 + Amount Shown as SDIT-100ES) * (Additional Rate / Total Rate)
All Other	Amount shown as Total Gross Collections * (New Rate / Total Rate)

*The amount allocated to the original levy is the amount shown as total gross collection less the amount calculated in Table 1.

Table 2: Amount of Administrative Fees Allocated to the Additional Levy**

Month	Administrative Fees
Apr., Year 1 - Jan. Year 2	(Amount allocated to the new levy calculated in Table 1 / Amount shown as total gross collections) * Amount shown as administrative fees ¹
All Other	Amount shown as administrative fee * (Additional Rate / Total Rate)

**The amount allocated to the original levy is the amount shown as administrative fee less the amount calculated in Table 2.

¹ If the amount calculated for April of year one in Table 1 is \$50,000, total gross collections for April of year one are \$250,000, and administrative fees are \$3,750, the amount of administrative fees allocated to the new levy would be $((\$50,000 / \$250,000) * \$3,750)$ or \$750.

Table 3: Amount of Refunds Allocated to the Additional Levy***

Month	Refunds
Apr., Year 1 - Jan. Year 2	None
All Other	Amount shown as refunds approved * (Additional Rate / Total Rate)

***The amount allocated to the original levy is the amount shown as refunds approved less the amount calculated in table 3.

DISTRIBUTION DETAILS BY TAX TYPE AND TAX AREA

FOR TAX TYPE SD-EMP-WH
JULY 01 - SEPTEMBER 30 ,2006

TAX AREA - SPENCERVILLE LOCA	COLLECTIONS - SDWH-101	\$	185,015.88
	SDWH-141	\$	264.22
	SDIT-100	\$	6,493.35
	SDIT-100ES	\$	12,580.78
	TOTAL GROSS COLLECTIONS	\$	204,354.23
	ADJUSTMENTS TO PRIOR ALLOCATIONS	\$	0.00
	AGGREGATE COLLECTIONS	\$	204,354.23
	LESS 1.5% ADMINISTRATION FEE	\$	3,065.31
	NET COLLECTIONS	\$	201,288.92
	LESS REFUNDS APPROVED	\$	3,991.79
	NET AVAILABLE	\$	197,297.13
	INTEREST EARNED	\$	2,700.38
	TOTAL AVAILABLE	\$	<u>199,997.51</u>