



## Individual Income Tax – School District

The ability of school districts to levy an income tax dates back to 1979 when the Ohio General Assembly permitted such a tax solely to repay a state loan. Two years later, lawmakers repealed this law, which had not been used, and enacted Chapter 5748, granting broader authority for school districts to levy an income tax, subject to voter approval. In 1983, after voters in six districts approved such taxes, the legislature blocked other districts from enacting new income taxes by repealing most of the chapter. School districts' ability to enact income taxes was restored in 1989. Unlike state or municipal income taxes, school district income taxes may be levied only on the income of residents of the school district.

Effective calendar year 2014, 188 of Ohio's 614 school districts levied the tax. In most districts, the tax applies to Ohio taxable income, as reported on line 5 of Ohio individual income tax form IT 1040 or IT 1040 EZ; this base is known as the "traditional" tax base. In certain other districts, the tax only applies to earned income, such as wages, salary and self-employment income.

The Department of Taxation administers the school district income tax, including collections through employer withholding, individual quarterly estimated payments and annual returns. During fiscal year 2014, total net distributions to all districts were approximately \$380.9 million. These distributions are based on collections of about \$409.7 million for the April 2013 through March 2014 period. During fiscal year 2014, school district income tax revenue collections totaled about \$386.6 million.

Table 1	
School District Income Tax Collections Fiscal Year 2014	
School District Income Tax	\$380,834,595
School Dist. Tax Admin. Fund	5,831,617
<b>Total</b>	<b>\$386,666,212</b>

### Taxpayer

(R.C. 5748.01)

The tax applies to every individual residing in a school district that imposes the tax. In districts that use the traditional tax base, the tax is also paid by the estates of

persons who, at the time of their death, were residing in such a school district.

### Tax Base

(R.C. 5748.01)

#### "Traditional base" school districts

The "traditional base" of the tax is Ohio taxable income, meaning Ohio adjusted gross income less \$1,700 for each personal and dependent exemption claimed on the Ohio individual income tax return for tax year 2013. The value of these exemptions is indexed to inflation.

#### "Earned income only" school districts

As of the end of 2014 fiscal year, voters in 41 school districts had approved income taxes that only apply to earned income. Earned income includes wages, salaries, tips and other employee compensation as well as self-employment income from sole proprietorships, partnerships and limited liability companies treated as partnerships for income tax purposes. Earned income does not include retirement income, lottery winnings, interest, dividends, capital gains, profit from rental activities, distributive shares of profit from S corporations and any other unearned income.

Most exemptions and deductions permitted for the federal and state income taxes – such as those claimed on the front page of IRS form 1040 or on Schedule A of the Ohio IT 1040 – are not permitted for the "earned income only" version of the school district income tax. However, military pay received by the taxpayer while stationed outside Ohio is exempt from the tax.

### Rates

(R.C. 5748.02)

Rates are proposed by the school district board of education and must be approved by voters in the school district. Rates are set in increments of 0.25 percent. During fiscal year 2014, rates ranged from 0.25 percent to 2 percent.

### Special Provisions

#### Senior citizen credit (R.C. 5748.06)

A taxpayer 65 years of age or older during the taxable year receives a \$50 credit against the amount of school district income tax due. Only one credit is allowed for each return.

## Filing and Payment Dates

(R.C. 5747.06 – 5747.09)

### Individuals and estates

- Calendar year taxpayers file an annual return between Jan. 1 and (typically) April 15.
- Fiscal year taxpayers file by the 15th day of the fourth month after the end of the fiscal year.
- Taxpayers must make quarterly estimated payments if they expect to be underwithheld by more than \$500 on the combined school district and state individual income taxes. For calendar year taxpayers, quarterly payments of the tax must typically be made on or before April 15, June 15 and Sept. 15 of the current year and Jan. 15 of the next year. For fiscal year taxpayers, quarterly payments of tax must be made on the 15th day of the fourth, sixth, and ninth months of the fiscal year and on the 15th day following the end of the fiscal year.

### Employers

If the employer remits on a quarterly basis for state income tax purposes, payment is due for both the state and school district income taxes by the last day of the month following March, June, September and December.

If the employer remits on a monthly basis or by electronic funds transfer for state income tax purposes, remittances of school district income taxes withheld are made within 15 days after the end of each month.

## Disposition of Revenue

(R.C. 5747.03)

Collections are deposited into the School District Income Tax Fund for distribution to school districts, less 1.5 percent retained for state administrative purposes. Deposited amounts accrue interest. Distributions are made to school districts on the last day of April, July, October and January. Payments are for the net amount in each school district's account, after refunds and administrative fees, as of the end of the prior calendar quarter.

## Administration

The Department of Taxation collects and administers the tax for school districts and makes quarterly distributions of revenue.

## Ohio Revised Code Citations

Chapters 5747 and 5748.

## History of Major Changes

1979	General Assembly grants school districts authority to levy an income tax solely for repaying a state loan.
1981	General Assembly repeals 1979 law and enacts Chapter 5748 of the Ohio Revised Code, authorizing school districts to enact a school district income tax based on Ohio taxable income (meaning Ohio adjusted gross income, less personal and dependent exemptions claimed on the Ohio individual income tax return).
1983	General Assembly blocks additional school districts from enacting the tax by repealing most of Chapter 5748, but permits the six districts that had enacted the tax before Aug. 3, 1983 to continue doing so.
1989	The General Assembly reinstates portions of Chapter 5748, allowing additional school districts to levy the tax. Lawmakers also enact a \$50 senior citizen credit.
1991	For the first time, school districts are permitted to seek voter approval for income taxes for finite periods of time. Previously, all levies had to be continuing levies.
1992	General Assembly permits districts to submit to voters an income tax levy and a property tax reduction with a single ballot issue.
2000	Personal exemptions indexed to inflation.
2005	General Assembly gives districts the option of levying the tax on earned income – meaning, only wages and self-employment income – instead of on the traditional base of Ohio taxable income.
2009	The Congressional “Military Spouses Residency Relief Act of 2009” extended the principle of domicile that applies to service members to their spouses.

<b>Table 2</b>			
<b>School District Income Tax Revenue Fiscal Years 2009 - 2014 (dollars in millions)</b>			
<b>Fiscal Year</b>	<b>School District Income Tax Fund</b>	<b>School District Income Tax Administration Fund</b>	<b>Total Revenue</b>
2009	\$305.7	\$5.0	\$310.7
2010	297.0	4.9	301.9
2011	320.3	5.2	325.5
2012	342.2	5.5	347.7
2013	362.7	5.9	368.6
2014	380.8	5.8	386.6
Source: Office of Budget and Management fiscal reports			

<b>Table 3</b>						
<b>School District Income Tax Distributions, Fiscal Years 2009-2014</b>						
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
“Traditional base” districts	153	153	151	149	147	147
“Earned income only” districts	19	25	30	33	37	41
<b>Total districts levying the tax</b>	<b>172</b>	<b>178</b>	<b>181</b>	<b>182</b>	<b>184</b>	<b>188</b>
Individual returns	\$109,252,212	\$110,540,423	\$120,507,956	\$126,365,263	\$125,973,187	\$130,689,250
Employer withholding	223,927,682	214,902,468	227,107,845	240,897,206	249,855,690	264,454,245
Individual Assessment Collections						14,437,750
Withholding Assessment Collections						142,705
<b>Total collections*</b>	<b>\$333,179,895</b>	<b>\$325,442,891</b>	<b>\$347,615,801</b>	<b>\$367,262,470</b>	<b>\$375,828,877</b>	<b>\$409,723,950</b>
Interest earned	1,206,431	438,513	178,906	143,483	149,503	198,134
Expired net levy adjustment						18,635
Less Refunds and administration	\$27,588,832	\$28,638,291	\$27,112,439	\$25,067,822	\$25,502,190	\$29,086,850
<b>Net to school districts</b>	<b>\$306,797,494</b>	<b>\$297,243,112</b>	<b>\$320,682,268</b>	<b>\$342,338,131</b>	<b>\$350,476,190</b>	<b>\$ 380,853,869</b>

Source: Ohio Department of Taxation records; data is reported in a different manner beginning in FY 2014 due to changes in the accounting method.

\* The table shows distributions by fiscal year. However, collections of the tax are made in the quarter prior to the quarter of distribution; therefore, the collections shown in the table are from April through March of each year. During fiscal year 2014, school district income tax collections totaled about \$386.6 million.