

Enclose with form SD 100.

Your first name	Initial	Last name	Your Social Security number
If a joint return, spouse's first name	Initial	Last name	Spouse's SS # if married filing jointly
Your address (number and street)	Apt. number		
City, town or post office, state and ZIP code			

Use this form to calculate interest penalty on underpayment of school district income taxes and to show the exceptions where no interest penalty is due. See Note #1 on page 3.

Check here if you engage in farming or fishing activities, and see Note #3 on page 3.

Part I

Do you owe interest penalty?

1. Year 2006 form SD 100, line 8 1. _____
2. 2006 school district withholding taxes and overpayment credit carryovers from year 2005 (do not include estimated tax payments on this line). See Note #2 on page 3 2. _____
3. Line 1 minus the amount on line 2 (if less than zero, enter -0-) 3. _____
Is line 3 less than or equal to \$500? Yes No
If the answer is yes, STOP; you have no interest penalty. If the answer is no, continue.
4. Multiply line 1 by 90% (.90) 4. _____
Is line 2 greater than or equal to the amount on line 4? Yes No
If the answer is yes, STOP; you have no interest penalty. If the answer is no, continue.
5. Year 2005 form SD 100, line 8 5. _____
Is line 2 greater than or equal to the amount on line 5? Yes No
If the answer is yes, STOP; you have no interest penalty. If the answer is no, continue.
6. Required annual payment. Enter the smaller of line 4 or line 5 6. _____

Short method

You may use the short method only if you paid no estimated tax payments or if you paid estimated tax in equal amounts on the due dates and you claim any overpayment credit carryover amount in equal amounts on the due dates.

Note: You may use the short method even if the payments were earlier than the due date; however, the interest penalty may be lower if you use the long method.

7. Taxable year 2006 estimated payments 7. _____
8. Add line 2 and line 7 8. _____
9. Subtract line 8 from line 6 9. _____
10. Multiply line 9 by .045151. Enter the result here and on form SD 100, line 9 10. _____

Long method

11. Multiply the amount on line 6 by the percentage indicated at the top of each column. However, if you choose to annualize your income, check the box and enter the amounts from Part II, line 16, columns (a) through (d) on page 6 11. _____
12. Cumulative tax withheld: Multiply the sum of tax withheld by the percentage shown at the top of each column (see instructions) ... 12. _____
13. Cumulative estimated tax paid by the dates shown at the top of each column 13. _____
14. Overpayment credit carryover from year 2005 form SD 100. Enter this amount in all four columns 14. _____
15. Add lines 12, 13, and 14 15. _____
16. Underpayment subject to interest penalty (line 11 minus line 15). If line 15 is greater than line 11, enter -0- 16. _____
17. Ratio (if payment was made late, see line instructions) 17. _____
18. Multiply the ratio on line 17 by the respective underpayment on line 16 (if partial payment or late payment, see line instructions) ... 18. _____
19. Total interest penalty due. Add line 18 columns (a) through (d). Enter here and on your year 2006 form SD 100, line 9 19. _____

Payment Due Dates			
a	b	c	d
4/17/06 - 25%	6/15/06 - 50%	9/15/06 - 75%	1/16/07 - 100%
.009699	.015123	.020877	.019507

Instructions for Part I

SD 2210-100 Line Instructions for Part I

Line 5 If your 2005 return reflected a period of less than 12 months, do not complete this line; instead, enter the amount from line 4 onto line 6.

Line 11 Multiply the amount on line 6 by the percentage indicated at the top of columns (a), (b), (c) and (d). However, if your income varied during the year (e.g., you operated a business of a seasonal nature), you may be able to lower the amount of your required payment for the due dates by using a different method called the annualized income installment method. To use this method to figure your required installments, use the Annualized Income Worksheet in Part II of this form and enter the amounts from Part II, line 16 of the worksheet into each column of Part 1, line 11. If you use the worksheet for any payment due date, you must use it for all payment due dates.

Line 12 Unless you show otherwise, these amounts are deemed to have been withheld rates throughout the year. For example, if your total Ohio school district income tax withheld for the year is \$1,000, \$250 is deemed to be withheld for each payment due date. On a cumulative basis the amount withheld is \$250, \$500, \$750 and \$1,000.

Line 17 The listed ratios are based upon the statutory interest rate (6% for 2006 and 8% for 2007) and the time during which the estimated payment was late. The general formula for computing the ratio is: ratio = interest rate x numbers of days the payment is late/365.* The listed ratios are computed from the payment due date at the top of each column to the following payment due date and apply **only** if the taxpayer either (1) never made the estimated payment or (2) made full payment on or after the next payment due date.

For example, the ratio in column (a) is computed by multiplying the interest rate (6%) times the number of days from the 4/17/06 estimated payment due date to the 6/15/06 estimated payment due date (59 days) and dividing by 365.

$$\begin{aligned} \text{Ratio} &= \text{interest rate} \times \text{number of days late}/365^* \\ \text{Ratio} &= .06 \times 59/365 = .009699 \end{aligned}$$

Line 18 Multiply line 17 times line 16.

Example 1 – Assume that the underpayment shown on line 16 for the 4/17/06 due date is \$1,000. Also assume that the taxpayer made no estimated payment during the period 4/17/06 through 6/15/06. The taxpayer will compute interest penalty for the period 4/17/06 through 6/15/06 by multiplying the underpayment shown on line 16, column (a) by the ratio .009699 shown on line 17, column (a):

$$\text{Interest penalty} = \$1,000 \times .009699 = \$9.70$$

However, if the taxpayer made a full or a partial payment of the required estimated payment after the payment due date, but before the next payment date, ignore the ratio

on line 17 and calculate the interest penalty using the following formula:

$$\text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \text{number of days late}/365^*$$

Example 2 – Full payment after the due date but before the next due date. Assume that the underpayment on line 16 for the April 17, 2006 due date is \$1,000. Also assume that the taxpayer paid this full amount on May 15, 2006. The taxpayer should ignore the ratio on line 17 and compute the interest penalty on the late payment.

Step 1 – Determine the number of days from the date the payment was due (April 17, 2006) to the date the payment was made (May 15, 2006): 28 days.

Step 2 – The taxpayer should calculate the interest penalty using the following formula:

$$\text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \text{number of days late}/365^*$$

$$\text{Interest penalty} = \$1,000 \times .06 \times 28/365 = \$4.60$$

Interest penalty = \$4.60. Enter this amount on line 18, column A.

Example 3 – Partial payment after the due date, but before the next due date. Assume the underpayment shown on line 16 for the April 17, 2006 due date is \$1,000. Also assume that the taxpayer paid \$600 of this amount of May 15, 2006. The taxpayer should ignore the ratio on line 17 and compute the interest penalty on the underpayment for the periods both before and after the partial payment.

Step 1 – Determine the number of days from the date the payment was due (April 16, 2006) to the date the payment was made (May 15, 2006): 28 days.

Step 2 – The taxpayer should calculate the interest penalty using the following formula:

$$\text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \text{number of days late}/365^*$$

$$\text{Interest penalty} = \$1,000 \times .06 \times 28/365 = \$4.60$$

Step 3 – Determine the number of days from the payment date (May 15, 2006) to the next required due date (June 15, 2006): 31 days.

Step 4 – Calculate the interest penalty on the \$400 (\$1,000 - \$600) underpayment for the 31-day period from May 15, 2006 to June 15, 2006 using the following formula:

$$\text{Interest penalty} = \text{underpayment} \times \text{interest rate} \times \text{number of days late}/365^*$$

$$\text{Interest penalty} = \$400 \times .06 \times 31/365^* = \$2.04$$

Step 5 – Add the amounts determined in Steps 2 and 4: \$4.60 + \$2.04 = **\$6.64.** Enter this amount in column A.

*For leap years use 366 days instead of 365 days.

3. W files timely but prior to H who also files timely. W claims estimated tax payment of \$10,000; so W owes no tax. H claims estimated tax payments of \$6,000; so H owes (and timely pays) \$600 tax shown to be the balance due.

Analysis

According to the information release, for purposes of determining tax due and refunds the Ohio Department of Taxation will allocate the payments as follows:

<u>Date Paid</u>	<u>Amount Allocated to W</u>	<u>Amount Allocated to H</u>
April 15	\$ 4,000	\$ 0
June 15	\$ 4,000	\$ 0
Sept. 15	\$ 2,000	\$ 2,000
Jan. 15	\$ 0	\$ 4,000
Total	\$10,000	\$ 6,000

Note that the Ohio Department of Taxation allocates to the “first to file MFS” taxpayer all “MFJ” estimated tax payments. If, after such allocation, the MFJ estimated tax payments exceed the tax due by the “first to file MFS” taxpayer, the department will then allocate to the “second to file MFS” taxpayer the excess “MFJ” estimated tax payments.

However, for purposes of determining interest penalty due, W and H may allocate in any manner the “MFJ” estimated tax payments. As such, to avoid interest penalty, W and H may allocate the “MFJ” payments as follows:

<u>Date Paid</u>	<u>Amount Allocated to W</u>	<u>Amount Allocated to H</u>
April 15	\$ 2,500	\$ 1,500
June 15	\$ 2,500	\$ 1,500
Sept. 15	\$ 2,500	\$ 1,500
Jan. 15	\$ 2,500	\$ 1,500
Total	\$10,000	\$ 6,000

By allocating the “MFJ” estimated tax payments in the manner shown above, neither W nor H will owe any interest penalty since each taxpayer will be deemed to have timely paid sufficient estimated tax (they each made timely estimated tax payments for at least 90% of the current taxable year’s tax).

Example #2 (for Note #2)

Facts

- “MFJ” estimated taxes paid for the current taxable year are as follows:
April 15: \$4,000
June 15: \$4,000
Sept. 15: \$4,000
Jan. 15: \$4,000
- For the previous year W’s “MFS” tax liability was \$1,000, and H’s “MFS” tax liability was \$15,000.
- W’s tax (“MFS”) for the current taxable year after credits: \$17,000
H’s tax (“MFS”) for the current taxable year after credits: \$ 3,000
Each taxpayer recognized the income equally over the current year (so, the “annualization method” is not applicable).
- W’s “MFS” tax return claims the entire \$16,000 of “MFJ” estimated tax payments. W timely pays \$1,000 shown to be the balance due. H’s “MFS” return claims none of the “MFJ” estimated tax payments. H timely pays the \$3,000 shown to be the balance due. W timely files before H, who also timely files.

Analysis

For purposes of determining tax due and refunds, the Ohio Department of Taxation will allocate the payments as follows:

<u>Date Paid</u>	<u>Amount Allocated to W</u>	<u>Amount Allocated to H</u>
April 15	\$ 4,000	\$ 0
June 15	\$ 4,000	\$ 0
Sept. 15	\$ 4,000	\$ 0
Jan. 15	\$ 4,000	\$ 0
Total	\$16,000	\$ 0

Note that the Ohio Department of Taxation allocates to the “first to file MFS” taxpayer all “MFJ” estimated tax payments. If, after such allocation, the MFJ estimated tax payments exceed the tax due by the “first to file MFS” taxpayer, the department will then allocate to the “second to file MFS” taxpayer the excess “MFJ” estimated tax payments.

In this example, W’s tax before application of estimated tax payments is greater than the allocated amounts, so for purposes of determining the tax due or a refund due, H, the “second to file MFS” taxpayer, cannot claim any portion of the estimated tax payments.

However, for purposes of determining interest penalty due, W and H may allocate in any manner the “MFJ” estimated tax payments. As such, to avoid interest penalty, W and H may allocate the “MFJ” payments as follows:

<u>Date Paid</u>	<u>Amount Allocated to W</u>	<u>Amount Allocated to H</u>
April 15	\$ 250	\$ 3,750
June 15	\$ 250	\$ 3,750
Sept. 15	\$ 250	\$ 3,750
Jan. 15	\$ 250	\$ 3,750
<u>Total</u>	\$ 1,000	\$15,000

By allocating the “MFJ” estimated tax payments in the manner shown above, neither W nor H will owe any interest penalty since each taxpayer will be deemed to have timely paid sufficient estimated tax (at least 100% of the previous taxable year’s tax).

