



## 2011 School District Income Tax Withholding Instructions

### This packet contains the following:

- **Instructions** for preparing your school district income tax withholding forms.
- **School district income tax withholding forms.**
- **Payroll/payment summary.**
- **Computer formula for school district income tax withholding.**

### Federal Privacy Act Notice

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us with your Social Security number is mandatory. Ohio Revised Code sections 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.

### How To Use The Ohio Business Gateway

The **Ohio Business Gateway** simplifies tax reporting and payment for businesses. Now your business can file and pay employer's Ohio and school district income tax withholding, sales tax, unemployment tax and Workers' Compensation premiums all at one time! Just go to [tax.ohio.gov](http://tax.ohio.gov), click on **Ohio Business Gateway**, and you can start filing your returns on-line the same day.

Registration is simple. Just have your account numbers handy to start your registration process. You will need your federal employer identification number or your Social Security number, the legal name of your company and your e-mail address. You will be asked to designate a contact person and to list the name and job title of the person who will be reporting your tax information. You will also be asked for a user name. Once you're registered, you can start filing your returns immediately. We'll even remind you when the reports are due by sending a notice to your e-mail address.

On subsequent visits to the **Ohio Business Gateway**, you can just log in by entering your user name and password. The password will be sent to your e-mail address upon registration.

### Credit Card Information

#### Pay Your Taxes by Credit Card

You can use your Discover/NOVUS, MasterCard or American Express card to pay your school district income tax liability. Credit card payments may be made either by telephone by calling **1-800-2PAY-TAX** or by visiting [www.officialpayments.com](http://www.officialpayments.com) and clicking on the "Payment Center" link.

There is a convenience fee charged for this service. This fee is paid directly to Official Payments Corporation based on the amount of your tax payment.

**When will my payment be posted?** Your payment will be effective the date you charge it.

**What happens if I change my mind?** If you pay your tax liability by credit card and subsequently reverse the credit card transaction, you may be subject to penalties, interest and other fees imposed by the Ohio Department of Taxation for nonpayment or late payment of your tax liability.

**Who should I call if I have a problem with my credit card payment?** Call Official Payments Corporation toll-free at (866) 621-4109.

### How do I use my credit card to pay my Ohio withholding tax?

Once you have determined how much you owe:

- ✓ Have your Discover/NOVUS, MasterCard or American Express card ready;
- ✓ Complete lines 1 through 5 on the enclosed worksheet in this packet;
- ✓ Use your touch-tone telephone to call toll-free 1-(800) 2PAY-TAX or 1-(800) 272-9829; enter **6447** when prompted and follow the recorded instructions; OR go to the Official Payments Corporation Web site at [www.officialpayments.com](http://www.officialpayments.com) and select Payment Center;
- ✓ Select Ohio form SD 101 or SD 141;
- ✓ Record your credit card payment information below for each period.

### Instructions for School District Employers

#### 1. Requirement to Withhold School District Income Tax

Pursuant to Ohio Revised Code (R.C.) sections 5747.06 and 5747.07, all employers are required to withhold and remit school district income tax from employees who reside in a school district that has enacted the school district income tax. Employers should use the same wage base as they use for Ohio withholding less the number of exemptions claimed on Ohio form IT 4, Employee's Withholding Exemption Certificate (which they keep on file).

**Exception:** Several school districts have enacted an alternative earned income only tax base. Employers cannot reduce the wage base for personal exemptions for employees residing in these school districts. Rather, employers must withhold the school district tax on all federal wage base compensation paid to employees residing in these school districts. These earned income only tax base school districts are included on the enclosed listing.

#### 2. Requirement to File Withholding Returns

- a. Ohio form SD 101 – Employers must remit payment of the withheld tax with Ohio form SD 101, Payment of School District Income Tax Withheld, usually on the same due date as Ohio form IT 501, Employer's Payment of Ohio Income Tax Withheld.
- b. Ohio form SD 141 – Employers must remit Ohio form SD 141, School District Employer's Annual Reconciliation of Tax Withheld.

**Note:** We encourage you to file these returns electronically through Ohio Business Gateway at [tax.ohio.gov](http://tax.ohio.gov).

#### 3. Completing the Ohio SD 101 Payment Form

All employers are required to file either **monthly or quarterly**.

- a. Quarterly payments are due if the combined Ohio and school district income tax withholding liability does not exceed \$2,000 during the 12-month period ending on June 30th of the preceding calendar year.
- b. Monthly payments are due if the combined Ohio and school district income tax withholding liability exceeds \$2,000 during the 12-month period ending on June 30th of the preceding calendar year.

**Note:** School district income tax withholding is not required to be paid on a partial weekly basis per R.C. section 5747.07.

#### 4. Completing the Ohio SD 101 Payment Form

- a. If you have received a preprinted form, listed on your form are the school district names and numbers for which you have made previous payments. In the tax due column, please fill in the amount of tax due for each school district during the period, or if you are remitting tax for any additional school districts, write the name, school district number and amount due in the blank spaces provided on the front of Ohio form SD 101.

If you are not using a preprinted form, fill in each school district name and number and enter the amount of tax due on the line next to the school district name(s).

- b. Enter the total amount of taxes due for all school districts on the Total Tax Due line. Unless you pay via the Ohio Business Gateway or with your credit card, send one check made payable to School District Income Tax for the total tax due amount and mail it to School District Income Tax, P.O. Box 182388, Columbus, OH 43218-2388.
- c. During the calendar year, you may adjust for overpayments or underpayments by reducing or increasing the tax due for the same district on a subsequent Ohio form SD 101 filing. Do not file an amended Ohio form SD 101 return for any period.

Regarding overpayments:

- ✓ Overpayments made for a district can be applied to reduce the tax due for the same district in a subsequent period, but cannot be used to reduce the tax due for any other district.
- ✓ Do not show any negative figures. If you show a negative amount for a district, you are in effect erroneously applying the overpayment toward the tax that is due for another district.
- ✓ Continue to apply your overpayment for a district toward the current tax due for the district, until your overpayment is used up. On Ohio form SD 101, only report amounts that are currently due. Do not report any tax that is not owed as a result of an overpayment made for the district in a prior period.
- ✓ You may keep track of these adjustments by using the School District Withholding Adjustments Worksheet.
- ✓ If, during the calendar year, you overpay the tax due for a district on Ohio form SD 101 and you do not have any tax due for that same district on subsequent periods during the calendar year, at year-end you can apply on Ohio form SD 141 your overpayment to another school district or claim a refund of your overpayment.

#### 5. Completing Ohio Form SD 141, Employers Annual Reconciliation of School District Income Tax Withheld

- a. You must first complete all columns shown on the lower-half of Ohio form SD 141. On the lines provided, for each school

district for which you withheld tax, you must list the following information for each district: the school district name, school district number, the amount of tax withheld, the amount paid during the year and the underpayment or overpayment. List each district separately. **Please indicate overpayment using parentheses.**

- b. Bring the total of columns C and D forward and enter these amounts on lines 1 and 2 of Ohio form SD 141.
- c. If line 2 is LESS than line 1, subtract line 2 from line 1 and enter the balance of school district income tax due (amount you owe) on line 3. Make your check payable to School District Income Tax.
- d. If line 2 is GREATER than line 1, subtract line 1 from line 2 and enter the overpayment of school district income tax on line 4.
- e. Do not mail copies of the wage and tax statement, Ohio form IT 2 (or combined W-2) with Ohio form SD 141. Submit wage and tax statements with Ohio form IT 3, Ohio Transmittal of Wage and Tax Statement.

#### 6. Interest on Unpaid Withheld Tax

School district income tax withheld (or required to be withheld for each withholding period) and remaining unpaid is subject to the applicable interest rate per year (4% for 2011).

#### 7. Penalties on Unpaid/Late-Paid Withheld Tax

- a. If an employer fails to pay the tax deducted and withheld from employees' compensation by the due date, a nonpayment penalty of 50% may be assessed on the tax due, unless the employer shows that the failure was for reasonable cause and not willful neglect.
- b. If an employer files Ohio form SD 101 and/or Ohio form SD 141 after the due date, a late filing penalty may be assessed, which is the greater of \$50 per month up to a maximum of \$500, or 5% per month up to a maximum of 50% of the tax due that is required to be shown on the report.

#### 8. Employee Wage and Tax Statement

Employers must furnish the employee an Ohio form IT 2 (or combined W-2) that identifies both the amount of school district income tax withheld and the school district (by its four-digit number). Use boxes 19 and 20 on the W-2 or any available area to show this information.

**Caution:** Several Ohio school districts have the same name. Be sure to verify the affected school district by county before withholding for employees.

# Common School District Withholding Questions

## Am I required to withhold school district income tax?

**Yes**, if you...

- ▶ employ any individual who is a resident of a school district that has enacted the school district income tax. Place of employment in Ohio does not matter; nor does an out-of-state payroll office exempt the employer from withholding the taxes. Age of the employee also does not matter. The only factor is the employee's residence in an affected school district.

**No**, if you...

- ▶ do not employ in Ohio anyone who is a resident of a school district with an income tax;
- ▶ employ any Ohioans in a reciprocity state (Michigan, Pennsylvania, West Virginia, Kentucky or Indiana), and they are residents of an affected school district.

## How can my employees find out where they reside?

They may contact their county auditor or use The Finder at [tax.ohio.gov](http://tax.ohio.gov) to verify their school district of residence.

## How do I register as a school district withholding agent?

If you have not registered as an Ohio employer, check the appropriate box on Ohio form IT 1, Combined Application for Registration as an Ohio Withholding Tax/School District Withholding Tax Agent, and send it in. If you are already registered in the state system, complete Ohio form IT 1R, found in the Ohio IT 501 coupon booklet.

## Can I include my school district tax payment with my Ohio IT 501?

No. You must remit your school district tax with Ohio form SD 101.

## How do I find out what school district in which each employee lives?

As an Ohio employer, you should have each employee complete Ohio form IT 4, Employee's Withholding Exemption Certificate. This form will list the employee's school district residence, and the employee may update this form whenever there is a change of residence. You can obtain a copy of the form by visiting our Web site at [tax.ohio.gov](http://tax.ohio.gov).

## Do I file and pay my school district withholding at the same time as Ohio income tax withholding?

You must use the combined Ohio and school district income tax withholding amounts to determine your filing frequency. If your combined liability exceeds \$2,000 for the 12-month period ending on June 30th of the preceding calendar year, you must remit your withholding monthly. If your combined liability does not exceed \$2,000 for the same period, you may remit both taxes quarterly. Electronic funds transfer withholders remit school district tax monthly.

## Where do I send my Ohio SD 101 return and payment?

Send your Ohio SD 101 return and payment to Ohio Department of Taxation, P.O. Box 182388, Columbus, OH 43218-2388.

## My software does not allow for a second local tax. What do I do?

You **must** withhold the school district income tax from each affected employee. You should withhold the tax manually if your software program does not allow for the school district withholding.

## Can I withhold a flat percentage from my employee?

Yes, but only if the employee resides in an earned income tax base school district. For all of the other employees, you must use the taxable wage base (not gross wages) and then allow for Ohio

exemptions to arrive at the amount subject to school district income tax withholding tax. You may either determine the tax from the Ohio school district Income tax withholding tables or from the computer formula on page 4 of this booklet.

## Must I withhold if I only have one employee affected?

Yes. If you are conducting business in Ohio and are employing one or more residents of affected school districts, you must withhold the school district income tax, no matter how many employees are affected or how little tax is withheld.

## Should I withhold the school district tax for the 401(k) or cafeteria plan?

You should use the same taxable wage base that you use for Ohio withholding and then, unless the employee resides in an earned income tax base school district, allow for the same Ohio exemptions claimed on Ohio form IT 4.

## How do I show school district withholding tax on my employee's W-2?

You may use any available box on the W-2 or you may request Ohio form IT 2, which has specific boxes for school district withholding tax, and identify the school district by its **four-digit number**.

**Transmittal of wage and tax statements, Ohio form IT 3 – All employers required to withhold must file with the Ohio Department of Taxation by the last day of February of the succeeding calendar year a copy of Ohio form IT 3. Employers are no longer required to send us paper copies of Ohio form IT 2 or federal form W-2. Send your state W-2 information to us on magnetic media using an approved electronic format. The electronic format is available on the department's Web site at [tax.ohio.gov](http://tax.ohio.gov).**

## I have no affected employees, but I registered in error. What do I do?

Write your explanation on the front of the Ohio form SD 101 form and send it to the address at the top of the form. We will inactivate your school district account and send you confirmation. To reactivate your account, remit any school district withholding on Ohio form SD 101.

## I no longer have any affected employees. How do I inactivate my account?

When you file your 2011 annual reconciliation, form SD 141, write on the front that you no longer have any affected employees. We will inactivate your account and send you confirmation. If during 2011 you have remitted for any affected employees, you must file a 2011 Ohio form SD 141 at the end of the year and request inactivation on the front of that form.

## Are there penalties for not withholding or remitting the school district tax?

If an employer knows that an employee is subject to the school district tax but fails to withhold from the employee's compensation the appropriate amount of tax, the employer is liable for penalties and interest. If your return is filed late, a late filing penalty may be assessed, which is the greater of \$50 per month up to \$500, or 5% per month up to 50% of the tax due that is required to be shown on the report. If the tax was not withheld, the penalty may be twice the interest charged plus 10% of the delinquent tax payment. If your payment is late, you may be assessed a late payment penalty of up to 50% of the delinquent tax payment. The statutory interest rate for 2011 is 4%.

# Computer Formula for School District Income Tax Withholding

**Caution: Please see Exception below.**

Daily payroll period: Federal wage base minus \$2.50 for each exemption times the school district tax rate

Weekly payroll period: Federal wage base minus \$12.50 for each exemption times the school district tax rate


Biweekly payroll period: Federal wage base minus \$25 for each exemption times the school district tax rate

Semi-monthly payroll period: Federal wage base minus \$27.08 for each exemption times the school district tax rate

Monthly payroll period: Federal wage base minus \$54.17 for each exemption times the school district tax rate

Annual payroll period: Federal wage base minus \$650 for each exemption times the school district tax rate

**Exception: Several school districts have enacted an alternative earned income only tax base. Residents of these school districts are not entitled to the exemption adjustment. Employers must withhold the school district tax on all federal wage base compensation paid to employees residing in these school districts. These earned income only tax base school districts are included on the enclosed listing.**

	<b>Department of Taxation</b>	<b>Employee's Withholding Exemption Certificate</b>	IT 4 Rev. 11/08
	Print full name _____ Social Security number _____		
Home address and ZIP code _____			
Public school district of residence _____ School district no. _____ (See <i>The Finder</i> at tax.ohio.gov.)			
1. Personal exemption for yourself, enter "1" if claimed _____			
2. If married, personal exemption for your spouse if not separately claimed (enter "1" if claimed) _____			
3. Exemptions for dependents _____			
4. Add the exemptions that you have claimed above and enter total _____ \$			
5. Additional withholding per pay period under agreement with employer _____			
Under the penalties of perjury, I certify that the number of exemptions claimed on this certificate does not exceed the number to which I am entitled.			
Signature _____ Date _____			