



SCHOOL DISTRICT INCOME TAX

P.O. BOX 182388

Columbus, OH 43218-2388

SD-1
Rev. 02/00

Employer's School District Income Tax Withholding Instructions

1. WHO MUST REGISTER?

All employers maintaining an office or transacting business in Ohio and required to withhold federal and state income tax must register if they employ residents of school districts which have enacted the School District Income Tax. To register, employers should complete Form IT-1R found in the IT-501 coupon book sent for Ohio withholding. School District employers will use the **same account number they use for Ohio withholding**. All forms and correspondence should reflect this account number.

2. WHO MUST WITHHOLD?

Every employer maintaining an office or transacting business within the State of Ohio and making payments of any compensation to an employee who **resides** in an affected school district must withhold the School District Income Tax.

Withholding is not required if the compensation is paid for or to:

- (1) Agricultural labor as defined in division G of section 3121 of Title 26 of the United States code;
- (2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;
- (3) Service performed in any calendar quarter by an employee unless the cash remuneration paid for such service is three hundred dollars or more and such service is performed by an individual who is regularly employed by such employer to perform such service;
- (4) Services performed for a foreign government or international organization;
- (5) Services performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution, or when performed by such individual under the age of eighteen under an arrangement where newspapers or magazines are to be sold by him at a fixed price, his compensation being based on the retention of the excess of such price over the amount at which newspapers or magazines are charged to him;
- (6) Services not in the course of the employer's trade or business to the extent paid in any medium other than cash.

3. WHO IS AN EMPLOYEE FOR SCHOOL DISTRICT WITHHOLDING PURPOSES?

Every individual who resides in a school district which has enacted a tax and who performs services subject to either the control and/or will of an employer, whether as to what shall be done and/or how it shall be done, is an employee

for purposes of the School District Income Tax. Permitting the employee considerable discretion and freedom of action does not matter, so long as the employer has the legal right to control either the method and/or result of the services.

Because employers in Michigan, Indiana, Kentucky, West Virginia, and Pennsylvania are not required to withhold Ohio or School District income tax, Ohio residents working in those states may need to file Estimated School District Income Tax. Employers in reciprocity states may choose to withhold School District tax if they withhold Ohio tax.

4. WHAT FORMS MUST BE COMPLETED?

Employee's Withholding Exemption Certificate

Every employer liable for Ohio withholding tax must keep on file the Employee's Withholding Exemption Certificate, Form IT-4. By using the IT-4 employers have built-in fields for the name and number of the school district of residence. Employees must update their exemption certificate whenever previous information becomes insufficient or incorrect.

Registration for Ohio School District Withholding Agent, Form IT-1R

All affected employers who are not active in the School District withholding system should complete and return the registration form, found in the IT-501 coupon book, as soon as they determine they have employees subject to the School District tax.

School District Income Tax Withholding Booklet

Upon registration employers will receive a coupon booklet with enough SD-101 quarterly or monthly returns to remit their School District tax for the year. Employers will also receive the School District Income Tax Withholding Tables. Employers should use the same wage base for withholding School District tax as they use for withholding Ohio tax and should use the same number of exemptions.

Quarterly payments are due if the **combined** Ohio and School District liability was **not** more than \$2000 during the twelve-month period ending on the thirtieth day of June of the preceding calendar year.

Monthly payments are due if the **combined** Ohio and School District liability was more than \$2000 during the twelve-month period ending on the thirtieth day of June of the preceding calendar year.

Partial weekly payments are not required for School District withholding tax.

Electronic Funds Transfer (EFT) payments are **not** required for School District withholding tax.

Employers discovering a withholding error from a previous period should adjust their next SD-101(s) by showing the net withholding tax due within that same school district only. Employers may not adjust between school districts on the SD-101.

School District Employer's Annual Reconciliation of Tax Withheld

All employers required to withhold must file no later than January 31 of the next calendar year an annual report, Form SD-141, reconciling School District tax withheld and paid for the past calendar year. Employers selling or quitting their business during the year must file their final return within 15 days after the date of selling or quitting the business.

Employers should show all withholding amounts on the back of the SD-141 and bring the net overpayment or underpayment to the front of the return.

Employers discovering an error after filing their SD-141 should file the Amended School District Employer's Annual Reconciliation, Form SD-141X, to adjust for the error.

Wage and Tax Statement, Form IT-2 (or combined W-2)

On or before January 31 of the succeeding calendar year, employers required to withhold School District tax must furnish to all employees subject to the tax two copies of the report of compensation paid during the calendar year and the amount deducted and withheld as School District tax. Employers may use Ohio Form IT-2 or the federal combined W-2. **Employers should clearly identify the school district on the W-2 by its four-digit number.**

Transmittal of Wage and Tax Statements, 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, the state's copy of Form IT-2 (or combined W-2), and a list (preferably on calculator tape) of the Ohio and School District income tax withheld. In lieu of Form IT-2 or combined W-2 the employer may submit the required employee information on magnetic tape (format furnished upon request).

If an error is discovered on an IT-2 or combined W-2 an employer must furnish two copies of a corrected IT-2 or combined W-2 marked "CORRECTED BY EMPLOYER" to the employee and one copy to the Department of Taxation marked "REISSUED BY EMPLOYER."

5. EMPLOYER'S LIABILITY FOR SCHOOL DISTRICT WITHHELD TAX

Each withholding agent is liable for the School District tax to be withheld. For purposes of assessment and collection, amounts required to be withheld and paid to the Ohio Department of Taxation are considered to be a tax on the employer. The officer or the employee having control or supervision of or charged with the responsibility of filing the report and making payment shall be held personally liable for any failure to file the report or pay the tax as required by law.

6. INTEREST AND PENALTIES

If an employer fails to pay the School District tax deducted and withheld from employees by the due date, interest shall accrue on the unpaid tax at the rate provided for under Section 5703.47 of the Ohio Revised Code. Interest on the unpaid tax is due in addition to any penalty for late filing or late payment of a tax due.

If an employer fails to pay the tax deducted and withheld from employees by the due date, the employer shall incur a penalty of 50% of the tax due, unless failure to pay was for reasonable cause and not willful neglect.

If an employer does not file Form SD-101 or SD-141 or files after the due date, the penalty 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.

7. WHAT RECORDS TO KEEP

Every employer required to withhold School District income tax must maintain a current, accurate record of all persons subject to the tax.

Records must include:

- (1) Amounts and dates of all compensation paid subject to withholding;
- (2) Names, addresses, school district of residence, and social security numbers of all employees receiving such compensation;
- (3) Periods of employment, including periods during which compensation is paid while absent due to sickness or injury;
- (4) Amount of compensation paid by pay period; and
- (5) Copies of annual returns filed with the Ohio Department of Taxation.

Employers must maintain records for at least **four** years.