

Shelby City Schools Income Tax Information

On May 2005, voters approved a 1% income tax to support Shelby City Schools. This tax will become effective January 1, 2006 and applies to all individuals who reside in the Shelby City School District and to any income of estates of decedents who, at the time of their death, lived in the District. In anticipation of this date, we wanted to provide answers to commonly asked questions regarding how the 1% income tax will work.

What income is taxed?

The Shelby City School District income tax uses the same income base as the state income tax. The following lists show some types of income which are and are not taxable.

Income that is not taxed: social security benefits; disability and survivor benefits; railroad retirement benefits; welfare benefits; child support; property received as a gift, bequest or inheritance; and workers' compensation benefits.

Income that is taxed: wages; salaries; tips; interest; dividends; unemployment compensation; self-employment; taxable scholarships and fellowships; pensions; annuities; IRA distributions; capital gains; state and local bond interest (except that paid by Ohio governments); federal bond interest exempt from federal tax but subject to state tax; alimony received; and all other sources.

How is the tax collected?

School district income taxes are collected in the same manner as the state income tax: through employer withholding, individual quarterly estimated payments, and annual returns.

How will my employer know to withhold the tax from my paycheck?

By law, every employer maintaining an office or transacting business in Ohio and making payments of any compensation to an employee who resides in an affected school district must withhold school district income taxes. The only exception to this may be federal government employers.

Each year, the Ohio Department of Taxation sends out a notice to all employers of new school district income taxes that were approved by voters and their obligation to withhold such taxes.

After January 1st, if your employer has not begun withholding the 1% income tax, we recommend you advise them that you live in Shelby City School District and must have this income tax withheld from your check. This could be accomplished by submitting a completed IT-4 form. If they still refuse to withhold, feel free to contact the Shelby City School District Office and we will notify the Ohio Department of Taxation.

What must I do if the income tax will not be withheld from my income?

Generally, quarterly estimated payments are required if a taxpayer expects to be underwithheld by more than \$500 for their combined state and school district income taxes. Some examples of when this may occur are individuals who work for a federal government agency which refuses to withhold the income tax from employees' paychecks or individuals who receive a significant

pension from a company or retirement system that does not withhold school district income taxes.

The Ohio Department of Taxation provides payment vouchers for quarterly estimated payments and a worksheet for calculating the amounts. Your first payment would be due April 15th, with remaining payments due June 15th, September 15th, and January 15th. We will be sure to place these forms on our web site and make them available in our district office for people who do not have Internet access. After you make estimated payments for a year, the Department of Taxation will automatically mail you forms for the next year.

How do farmers submit the school district income tax?

As discussed above, quarterly estimated payments are generally required if a taxpayer expects to be underwithheld by more than \$500 for their combined state and school district income taxes. A farmer whose total estimated gross income is at least two-thirds attributable to farming has the option of filing under three different methods. The farmer must use the same option for school district income tax as he/she used for filing his/her state and federal returns, unless permission to do otherwise is granted by the Tax Commissioner.

Must I file an annual return?

Yes. Regardless of how you pay the income tax, you must file an annual school district income tax return. The filing deadline is the same as for the state income tax (normally April 15th of the following year). Just like state and federal income taxes, you may owe additional tax or be due a refund based on your income, amounts withheld from your pay, and any quarterly estimated payments made.

The Ohio Department of Taxation will be mailing out the first required return in early 2007 to all district residents (you will not file a return in 2006, because the income tax was not effective in 2005). Although many of you may be apprehensive about the need to complete another tax return, be assured that this return is quite simple.

The first line of the school district income tax return is your Ohio Adjusted Gross Income taken from line 3 of the state income tax return. An adjustment to this amount is only required in the event that the taxpayer was not a resident of the district for the entire year. Next, a subtraction is made for the value of your exemptions to derive taxable income. Taxable income is then multiplied times 1% to determine tax liability. A \$50 senior citizen tax credit is allowed against the liability if the taxpayer is 65 years of age or older anytime during the tax year.

This web page is not intended to be comprehensive guide. If you have further concerns or questions regarding how the income tax will work, we encourage you to contact the Ohio Department of Taxation at 1-800-282-1780 or visit their web site at <http://tax.ohio.gov/>. They will be administering the tax on behalf of the district, as they do for all other school districts across the state that levy an income tax. You are also always welcome to contact the Shelby City District Office at (419) 342-3520.