



Because collection of the school district income tax parallels that of the Ohio state income tax it presents unique advantages and disadvantages as a source of funding. Many find its fairness appealing. Residents of the school district (as opposed to businesses or non-resident taxpayers) pay the bill; it reduces the burden on fixed income families; it allows for growth as incomes increase; and the estimated proceeds of the income tax are not included in the ballot language, only the rate of tax. However, the lack of flexibility and local control over possible exemptions may present challenges to gaining popular (and voter) approval. It remains that under the school district income tax, businesses do not have to pay; high income families may pay more than if a property tax were levied; the cost of collection is higher; school districts lose interest income due to the method of collection; city officials may be in opposition claiming it infringes on the municipality's traditional revenue source; there are no penalties for employers to force compliance; and revenue is more difficult to project because an income tax fluctuates with the income levels of the taxpayers. However, in the world of school finance where little is certain, the school district income tax has proven to be one more funding option worth exploring.

Comparison of School District Tax Versus Municipal Income Tax

	School District Income Tax	Municipal Income Tax
Taxable Income	(1) Personal Income equal to the Ohio Adjusted Gross Income before credits, and (2) Estate income	(1) Qualifying Wages of individuals, (2) Net Profits of Businesses
Taxpayer	Resident of School District or Estate of deceased resident located within School District	Resident of municipality or Nonresident employed within municipality, depending upon local law
Age Limit	Any wage earner with taxable Ohio Adjusted Gross Income	Wage earners 18 yrs and over, subject to statutory exemptions
Businesses	Exempt	Net Profits are taxed
Duplicate Tax	Yes. Residents of more than one School District may be taxed more than once	Yes. Taxpayer may be subject to municipal tax of residence and municipal tax of workplace
Credits	Yes. Citizens 65 years and over receive \$50 credit, credit cannot exceed tax liability	Yes. Senior Citizens receive \$50 credit, municipality may grant credit to residents taxed by workplace municipality
Exempted Income	None. Must parallel Ohio State Adjusted Gross Income before credits	<i>May</i> exempt income from pension, annuity, retirement benefits; <i>may</i> exempt ordinary income from sale, exchange, distribution of stock; <i>may</i> grant exemption for businesses promoting economic development; <i>must</i> exempt intangible income (interest income, dividends, income yield), <i>must</i> exempt military pay and allowances; <i>must</i> exempt compensation earned by nonresidents for less than twelve days' work in municipality; <i>must</i> exempt election precinct workers' compensation up to \$1000; <i>must</i> exempt income of religious, educational, charitable, and other tax-exempt entities; <i>must</i> exempt wages of transit employees; <i>must</i> exempt wages of employees within Joint Economic Development Zone or Joint Economic Development District
Flexibility	None. Taxable income must equal Ohio Adjusted Gross Income	Little. Municipality may grant exemptions for income that "may" be taxed under the Revised Code
Voter Approval	Required for any amount proposed	Required if proposed income tax exceeds 1%
Statutory Authority	Revised Code Chapter 5748	Revised Code Chapter 718

For more information, please contact Hope Sharett at hsharett@bricker.com or (614) 227-2300.