



Department of Taxation

Guide to Ohio's School District Income Tax for School District Administrators

**Prepared by
The Ohio Department of Taxation
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Table of Contents

Table of Contents	2
General Information	3
1. What is a School District Income Tax?	3
2. Who pays the tax?.....	3
3. Are all residents required to file an income tax return, even if they have no tax liability?	3
4. Which taxpayers are legally not obligated to pay the SDIT?	3
5. What income is taxed?	3
6. How is the tax collected?	5
7. Are there any exemptions?	5
8. Are any credits allowed?	5
9. What if a taxpayer moves from one school district to another?	5
10. Where can I find additional information about the tax?	5
On the Ballot and Beyond	6
11. What procedures must a school board follow to place a SDIT issue before the voters?	6
12. Can property tax millage be reduced to compensate for the increase in revenues due to the passage of an income tax? ..	6
13. How often can school districts go to the ballot with an income tax issue?.....	7
14. What limits can be imposed by voters of a school district on the income tax rate that can be levied?.	7
15. Can an income tax be enacted with an expiration date?	7
16. Can the base of the income tax be changed?	7
17. Can the district have income tax levies with both the traditional and earned-income tax base?	7
18. When is revenue from the income tax received by the school district?.....	7
19. Does a school district receive SDIT revenue from pipelines or producing wells?.....	8
20. Can a school district borrow against an income tax?	8
21. Can an income tax be repealed or reduced?	8
22. What happens if our school district is consolidated?	8
23. Is the SDIT the same as the Municipal Income Tax?.....	9
24. What school districts in Ohio levy the income tax now?	9
25. How do I know the components of a district's SDIT collection?.....	9
26. Who do I contact for additional information?.....	9

General Information

The information contained in this guide is for general informational purposes only and is accurate as of the date of this publication. Any legislative or other law changes occurring after the date of this publication may alter the guidance provided.

1. What is a School District Income Tax (SDIT)?

The SDIT is an income tax separate from federal, state, and municipal income taxes that is earmarked specifically to support school districts. Imposition of the tax must be approved by voters of a school district.

2. Who pays the tax?

Any individual residing in the state of Ohio who is domiciled in or lives in and maintains a permanent place of abode during all or part of a tax year in a school district that levies the tax. A part-year resident must pay the SDIT based upon income received during the portion of the taxable year in which they were a resident of the school district that has enacted the tax.

3. Are all residents required to file an income tax return, even if they have no tax liability?

All residents are encouraged to file a return to prevent the taxpayer from receiving a delinquency notice from the Ohio Department of Taxation (ODT) for non-filing.

4. Which taxpayers are legally not obligated to pay the SDIT?

Non-residents of the school district are not subject to the tax, even if they work within the district's boundaries. Corporations are also exempt from the SDIT. Distributive shares from a subchapter S corporation are not considered "earned income," so that income is not included in the earned income base. However, it is included when paying the tax under the traditional base.

5. What income is taxed?

There are two types of tax bases for the SDIT, the traditional tax base and the earned income tax base. Each district's base depends on the enacting ballot language. See Ohio Revised Code 5748.01 for complete information.

Traditional Tax Base

The traditional SDIT base uses the same income base as the state's income tax, but with a few adjustments. Calculation of taxable income begins with Ohio adjusted gross income from the state return (see the current IT 1040 [on our website](#)). Ohio adjusted gross income is federal adjusted gross income (taken from the federal 1040 return) plus or minus Ohio adjustments to income. Adjustments are made on the state return because not all types of income taxed by the federal government are taxed by the state. For example, Ohio allows the deduction of all social security benefits while the federal government does not.

The following list shows some examples of other types of income and whether they are taxable (for further detail, consult current federal and state returns).

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
- Federal bond interest subject to federal tax but exempt from state tax
- Workers' compensation benefits

Income that is taxed:

- Wages
- Salaries
- Tips
- Interest
- Dividends
- Unemployment compensation
- Self-employment to the extent included in Ohio Adjusted Gross Income
- Taxable scholarships and fellowships
- Pensions
- Annuities
- Taxable IRA distributions
- Capital gains
- State and local bond interest exempt from federal tax but subject to Ohio tax (except that paid by Ohio governments)
- Alimony received

The second step in calculating the traditional tax base is to add back state deductions for business income, qualifying capital gains, and deductible payroll, as defined in R.C. 5747.01(A)(28) and (A)(34) respectively. These two deductions are used to reduce taxable income on the Ohio income tax return and cannot be used to reduce the school district taxable income for those who reside in a traditional tax base school district. Therefore, taxpayers who claim these deductions on their Ohio return and reside in a traditional tax base school district must add back the amounts deducted on their Ohio SD 100 School District Income Tax return. The result is **Modified Adjusted Gross Income (MAGI)**.

The final step in calculating the traditional base is to subtract the personal exemption amount from the Ohio IT 1040 from MAGI. The result is MAGI, less exemptions, also known as the traditional base.

See R.C. 5748.01E(1).

Earned Income Tax Base

School districts are permitted to levy the tax, subject to voter approval, on an alternate tax base that **includes only** wages, salaries, tips, and other compensation and net earnings from self-employment (including certain income from partnerships) to the extent the income is included in MAGI of the residents of the school district. The tax **excludes** all other types of income and deductions that are included in the traditional income tax base (interest, dividends, capital gains, pensions, etc.) and does **not allow** the personal exemptions that are allowed under the traditional tax base.

The earned income tax base is calculated by first determining wages and other compensation. Then, the taxpayer determines net earnings from self-employment. These amounts are only taxable to the extent they are included in the taxpayer's MAGI and received while the taxpayer is a resident of the taxing school district. These amounts are all reported on the taxpayer's SD 100.

See R.C. 5747.01(II), and 5748.01(E)(2).

6. How is the tax collected?

The SDIT is collected in the same manner as the state income tax: through employer withholding, individual quarterly estimated payments, and annual returns. Employers are required to withhold the tax and submit payments to the state. Individuals subject to the tax are required to file an annual SDIT return.

7. Are there any exemptions?

No specific exemptions can be taken from the SDIT tax base.

The traditional school district income tax base is MAGI, less personal exemptions, as calculated from the amount reported on the Ohio IT 1040 return. This includes the personal and dependent exemption reported on the Ohio IT 1040. The personal and dependent exemption is a graduated amount based on Ohio adjusted gross income, see the annual instructions for filing for exact amounts.

8. Are any credits allowed?

Yes. Under the SDIT, a \$50 senior citizen credit is allowed against tax liability for each school district. The senior citizen credit may be claimed if the taxpayer is 65 years of age or older at the end of the tax year. There are no retirement income, joint filer, or childcare credits as there are for state income tax purposes.

9. What if a taxpayer moves from one school district to another?

The tax is based upon the individual's income received while residing in each school district. Individuals report the amount of income received while a resident of each school district on the annual SDIT tax return (SD 100). An individual must notify their employer when the school district of residence changes.

10. Where can I find additional information about the tax?

Additional information about the SDIT is available on the [School District Income Tax page on our website](#). Responses to frequently asked questions can be found on the [School District Income Tax FAQ page](#).

On the Ballot and Beyond

11. What procedures must a school board follow to place a SDIT issue before voters?

- a) A resolution stating the necessity of raising additional school dollars must be passed by the school board and certified to the Ohio Tax Commissioner at least 100 days prior to an election. The resolution must include the dollar amount to be generated, the base of the tax (traditional vs. earned income) and, if property taxes are to be reduced, the specific levy or levies to be reduced, the maximum rate at which each levy currently is authorized to be levied, and the rate by which each levy is proposed to be reduced.

School districts needing instruction on resolution formats should contact their school board association. This resolution can be mailed to:

Ohio Department of Taxation
Tax Analysis Division
4485 Northland Ridge Blvd
Columbus, Ohio 43229

To submit the resolution electronically, please call the Tax Commissioner's office at 614-466-2166 for the contact information of the person authorized to receive such resolutions.

- b) The Tax Commissioner has 10 days from the receipt of the initial school board resolution to provide tax rate, equivalent millage, and, if necessary, effective millage reduction estimates. School boards are required to draft a new resolution and to receive a new certified rate estimate each time the question is to be put on the ballot.
- c) School boards must submit a resolution to the county board of elections at least 90 days prior to the date of the election chosen for the question to appear on the ballot. A copy of the resolution sent to the board of elections must be sent to the Tax Commissioner.
- d) The resolution to be certified to the county board of elections must include: the date of the upcoming election, the purpose for which the tax is to be imposed, the tax rate, the base of the tax, the duration of the tax, the date that the tax will take effect, and, if necessary, the amount of millage to be reduced. For more information, see R.C. 5748.02.

12. Can the property tax millage be reduced to compensate for the increase in revenues due to the passage of an income tax?

Yes. There are two ways to accomplish this:

- a) The SDIT law allows a single ballot issue that would enact a continuing income tax for current expenses and reduce one or more existing continuing property tax levies for current expenses. The reduction in the rate of a tax shall first take effect for the tax year that includes the day on which the

school district income tax first takes effect and shall continue for each tax year that both the school district income tax and the property tax levy are in effect. The reduced property tax revenues would occur beginning in January following the year that the new income tax becomes effective.

- b) A school district may take unilateral action to reduce any existing property tax levy, fixed or continuing. Such action would be taken with the county auditor and would not be directly tied on the ballot to an income tax.

Note: The 20-mill floor is a key limitation for school districts. Ohio law guarantees a minimum funding of 20 mills so long as at least 20 mills is authorized. For those school districts whose effective rate has been reduced to 20 mills, Ohio law prevents their effective millage rate from being further reduced below 20 mills, unless voluntarily requested by the school district.

13. How often can school districts go to the ballot with an income tax issue?

School boards cannot put a SDIT issue on the ballot more than twice in any calendar year. If the issue is submitted twice, one of the elections must be held on the date of the general election.

14. What limits can be imposed by voters of a school district on the income tax rate that can be levied?

There is no rate limit. The only stipulation by law is that the rate must be in increments of a quarter percent (0.25%).

15. Can an income tax be enacted with an expiration date?

Yes. An income tax can be continuing or for a fixed number of years; there is no limit on the term.

16. Can the base of the income tax be changed?

R.C. 5748.021 allows a school district with a traditional base tax to go to the ballot to replace that tax with an earned income base tax. There is no such provision for going from an earned income tax to a traditional tax.

17. Can the district have income tax levies with both the traditional and earned income tax base?

No. R.C. 5748.02(E) prohibits a district from having school district income tax levies with both bases.

18. When is revenue from the income tax received by the school district?

The tax always becomes effective on January 1. The first payment will be received by the school district in April of that year (school districts can count on that payment being relatively small). Districts will receive four payments per calendar year, one each in January, April, July, and October. Each payment will be for the amount collected during the prior quarter.

It will take approximately 1.5 years (six quarters) for districts to receive the full amount of taxes liable from the first year it is levied because of how the tax is collected. Employer withholding comes in throughout the year, but individual annual returns are not due until the following calendar year.

To view ODT's timeline, visit the [Tax Data Series page on our website](#)

NOTE: The first distribution made to a school district will exclude \$1,000 that is used to set up a refund account for future returns filed. Thereafter, the state will return all revenue collected to the school district, less 1.5% retained for state administration purposes.

19. Does a school district receive SDIT revenue from pipelines or producing wells?

Businesses do not pay SDIT. Only residents of the district are required to pay SDIT. Income that an Ohio resident landowner receives for leasing mineral rights would be subject to Ohio income taxes.

See **Question 5** for more information.

20. Can a school district borrow against an income tax?

Yes. The district can borrow up to 50% of the estimated first year's collections prior to receiving its first payment. A district must obtain a certification of the first year's collections from the Ohio Department of Taxation and submit it with a borrowing request to a third-party financial institution. The borrowing may occur between the time the income tax is certified by the board of elections as having passed and April 30 of the year the tax takes effect, the date of receipt of the first payment.

21. Can an income tax be repealed or reduced?

Yes, if it was enacted for a period of more than five years it can be repealed. It is subject to repeal by the filing of a petition signed by ten percent of the electors residing in the school district that is voted on at the next general election. If a repeal attempt fails, a second attempt to repeal cannot be initiated for five years.

At any time, a school board may reduce the rate of an income tax in quarter percent increments without going to the ballot. Notification of a rate change must be sent to the department of taxation at least 45 days prior to the tax year for which the rate reduction takes effect.

22. What happens if our school district is consolidated?

H.B. 49, the state budget bill for fiscal years 2018 and 2019, included ORC section 5748.10. **School district consolidation** means a consolidation of some or all of the territories of two or more school districts by transfer, merger, joinder or creation pursuant to any such procedures under ORC chapter 3311. The surviving school district is the district into which the territory of another district will be consolidated.

Upon consolidation, SDIT will be levied by the surviving school district pursuant to a resolution adopted by the surviving district's board of education and in effect on or after the effective date. Nothing prohibits a board of education from amending or adopting a SDIT resolution to levy the tax as otherwise permitted by law after a school district consolidation.

On or before 90 days prior to the effective date of consolidation, the school board of the surviving district that levies a SDIT pursuant to a resolution that will be in effect after consolidation shall notify the tax commissioner and include the information stated in R.C. 5748.10(B).

23. Is the SDIT the same as the municipal income tax?

No. The SDIT and the municipal income tax differ in many ways: municipalities collect the tax from both residents and non-residents working in the municipality, but the SDIT is only on residents; municipal taxes are levied on businesses whereas the SDIT is on individuals only; the tax base for municipalities is generally wages, salaries, other compensation, or net profits of a business, but the SDIT can be on either all sources of adjusted gross income (i.e., Ohio modified adjusted gross income less exemptions) or just on earned income.

24. What school districts in Ohio levy the income tax now?

You can view a list of all school districts with an SDIT by visiting the [Tax Data Series on our website](#).

25. How do I know the components of a district's SDIT collection?

Detailed distribution breakdowns for each school district income tax payment are available on [our website](#). The detailed distribution aids the understanding of each district's collections based on year and source (withholding, estimated payments, annual returns, etc.). The detailed distribution also indicates if the collections are attributable to the current year, preceding tax year, or any year prior.

26. Who do I need to contact for additional information?

If you have any questions or need clarification, email the Tax Analysis Division at tax.analysis@tax.ohio.gov.