



School District Earned Income Tax Frequently Asked Questions

Q: What is the earned income tax that will be on the ballot on May 2, 2023?

A: The Vandalia-Butler City School District will be seeking an earned income tax at the May 2, 2023 election. The ballot issue contains a 1.0% earned school district income tax for a term of five (5) years.

Q: What is a School District Income Tax (SDIT)?

A: The SDIT is an income tax separate from federal, state and municipal income taxes that is earmarked specifically to support school districts. In order for the tax to be implemented, it must receive approval of voters within the school district.

Q: Why is Vandalia-Butler City Schools seeking an earned income tax?

A: The District submitted the five-year forecast in November, 2022 in which they are projected to have a deficit balance in the coming years. The Board of Education, Superintendent, and Treasurer/CFO discussed many options during public sessions before certifying the ballot issue to the Montgomery County Board of Elections.

The Board does not take the decision to request earned income tax funds lightly, and considered several factors before deciding to request an earned income tax, including:

- The district's demographics
- Current approved property tax levies
- The impact of a property tax versus an earned income tax on the taxpayers

With an earned income school district tax, if a taxpayer has a decrease in wages or experiences job loss, the tax liability also decreases. With a property tax levy, the taxpayer would be required to continue paying the same amount of property tax regardless of the earned income.

Q: When was the last time the District requested new operating funds?

A: Vandalia-Butler City Schools was on the ballot for new operating funds with a property tax levy in 2013. The typical span between new levy requests for school districts is five (5) years. It has been **ten years** since Vandalia-Butler City Schools has requested new funds.

Q: What is the difference between an Earned Income School District Tax (SDIT) and a Property Tax?

A: An earned school district income tax is based on the amount of income the taxpayer residing within the school district **earns** rather than the value of the taxpayer's **property** within school district limits. The earned income tax shares the financial burden of supporting the school district among more residents rather than property owners only. The earned income tax would have no effect on property taxes.

Because only earned income is taxed, retirees would not be taxed. The following are examples of additional incomes that are EXEMPT:

- Retirement pensions
- Social security benefits
- Disability and survivor benefits
- Annuities/IRA distributions
- Capital gains
- Child support

Source: [Ohio Department of Taxation - Guide to Ohio's School District Income Tax](http://tax.ohio.gov) (<http://tax.ohio.gov>)

Q: Is the school district income tax the same as a municipal tax?

A: No, the SDIT and the municipal income tax differ in many ways. Municipalities collect the tax from both the residents and non-residents working within the municipality, but the SDIT is only collected from those residing within the school district. Municipal taxes are levied on businesses, whereas the SDIT is on individuals only.

Q: What is the cost comparison of the earned income school district tax versus a property tax levy?

A: When placing a school district income tax on the ballot, the ballot issue must state the amount of property tax millage that would be required to generate the same dollar value as the proposed income tax. The Ohio Department of Taxation calculated and certified that 9.19 mills would be needed for the property tax equivalent. Below are examples of both earned income and property tax and the costs associated with each:

***Cost of Earned School District Income Tax Per Year**

**Individual Median Household Income: \$39,559 at 1.0% Income Tax Rate

Cost Per Year = \$395.59

Cost Per Year if the District Were to Request a Property Tax Levy

***Average Property Value/Occupied Home: \$163,613 at 9.19 Mills

Cost Per Year = \$526.26

*For more information about earned income, [refer to this page](#) from the Guide to Ohio's School District Income Tax.

Sources: **Ohio Department of Education FY2021 District Profile Report, Tax Year 2019

***Montgomery County Auditor's Office; Average Home Value and Millage Calculation

Q: If passed, what will the earned income tax fund?

A: With the passage of a school district earned income tax, the District would use the funds to help with day-to-day operations, the School Safety Officer program, and the initiatives that have been implemented throughout the past six years of the Strategic Plan, including:

- Classroom student/teacher ratios
- Middle School and High School electives
- Stem courses
- Elementary specials including full-time art and music
- Mental health and counseling services

Q: How will the tax be collected from the taxpayers?

A: The school district income tax 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 under the same rules and guidelines as they currently use to withhold the state income tax. Individuals subject to the tax are required to file an annual SDIT return.

Q: If passed, when would the District begin to receive earned income tax funds?

A: If approved by voters, the tax would become effective on January 1, 2024. The first payment would be received by the District in April, 2024. The District would receive four payments per calendar year, one each in January, April, July and October. Each payment would be for the amount collected during the prior quarter.

It would take approximately one and a half years (six quarters) for the District to receive the full amount of taxes generated 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.

Q: Do other school districts in Ohio have income taxes?

A: Yes, many school districts in Ohio have income taxes. Out of over 600 Ohio districts, a total of 210 school districts have an income tax, including 63 with an earned income tax. In our Miami Valley League conference of ten schools, half of them have school district income taxes.

For a complete listing of Ohio Schools with income taxes, [click here](#).