



## OHIO AND SCHOOL DISTRICT WITHHOLDING FOR EMPLOYERS WITH EMPLOYEES



Every employer keeping an office or transacting business within the state of Ohio and making payment of any compensation to an employee, whether a resident or nonresident, must withhold Ohio income tax. There are a few exceptions, and they can be found in Ohio Revised Code §5747.06(A).



### **HOW DO I PAY THE TAXES TO THE STATE OF OHIO**

All employers required to withhold Ohio income tax must register within 15 days (about 2 weeks) of when such liability begins. You will need to register online through the Ohio Business Gateway (<https://gateway.ohio.gov/home>). When registering, you will need your federal employer identification number (EIN), legal name of business, and email address. Once all registration has been completed, employer withholding and school district withholding returns and payments can be submitted immediately. You must electronically file and pay Ohio employer and school district withholding taxes. For questions, call 1-888-405-4089.



### **HOW MUCH TAX DO I WITHHOLD?**

Each year the State of Ohio as well as local school districts post a table of the applicable percentages on the Department of Taxation's website to withhold from your employee's pay. For the 2022 tables, you can access the school district and employer withholding tax charts at [tax.ohio.gov](http://tax.ohio.gov).



### **WHEN DO I FILE THE TAXES WITH THE STATE OF OHIO?**

The first Ohio withholding filing frequency is decided during the withholding account registration process described above. The Ohio withholding filing and payment frequencies are re-evaluated for each calendar year. Filing frequency is decided by the combined amount of Ohio and school district income taxes that were withheld or required to be withheld during the look-back period. The look-back period is the 12-month period ending June 30 of the preceding calendar year.

You may need to file the tax with the State of Ohio quarterly, monthly, or partial-weekly.



### **WHAT HAPPENS IF I FAIL TO REMIT THE TAX TO THE STATE OF OHIO**

Each employer is liable for the Ohio income tax required to be withheld. For purposes of assessment and collection, amounts required to be withheld and paid to the Ohio Department of Taxation are a tax on the employer. You may be held personally liable for any failure to file the report and/or pay the tax as required by law.

In addition, the State of Ohio will charge you interest on any balance owed from the return due date until the date the tax is paid. Currently for the calendar year 2022, the interest is 3%. You may also incur a failure to file penalty if you fail to file the Ohio employer withholding tax return by the due date (currently, it 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); a failure to pay penalty if you fail to remit the tax owed by the due date (currently, it is 10% of the delinquent payment plus double the applicable interest charged); and withheld but not remitted penalty if you withhold the tax from your employees, but fail to remit the amount to the State of Ohio (currently, it is 50% of the delinquent payment plus double the applicable interest).



### **MY TAX PAYMENT IS WRONG, WHAT CAN I DO?**

If an overpayment is shown during the current calendar year, the employer must make the correction by reducing the Ohio tax withheld reported on the next Ohio IT 501(s) filed or EFT payment(s) made until the credit is consumed.

If an overpayment or underpayment is shown after the IT 941 or 4th Quarter/Annual IT 942 Reconciliation has been filed, the employer must file an amended IT 941 or 4th Quarter/Annual IT 942 Reconciliation reflecting the overpayment or balance due.

Overpayments CANNOT be taken as a credit in a subsequent year.

If an amended IT 941 or 4th Quarter/Annual IT 942 Reconciliation also involves issuing W-2Cs, an IT 3 with the updated withholding tax information and copies of the W-2Cs should be sent by mail to the employment tax division using the mailing address on the IT 3.



### **HOW LONG DO I KEEP MY RECORDS?**

Employers required to withhold Ohio income tax must keep exact records of all persons from whom tax is collected for a period of at least four years from the due date.



### **I CLOSED MY BUSINESS, WHAT NOW?**

A business that withholds individual income and/or school district income tax from its employee(s), and is closing, may complete the Ohio Business Account Update Form (BA UF). An account may also be closed electronically when filing the final IT 941 annual reconciliation through the Gateway. The employer also must file the Ohio IT 941, Annual Reconciliation of Income Tax Withheld, no later than 15 days after the discontinuation of business through the Gateway.

Changes in Ownership/Entity Type: If a change in ownership or in the business entity type (such as changing from a sole proprietorship to a corporation) occurs and a new EIN is issued by the IRS, a final IT 941 or IT 942 annual reconciliation must be filed for the current Ohio withholding account number and the account must be closed. A new employer withholding account is needed for the newly issued EIN.

**The information on this flyer is not legal advice. An attorney-client relationship does not exist between you and SEOLS. If you are seeking representation or legal advice, please contact SEOLS.**

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**We do not prepare tax returns. Please look at specific state and local tax obligations that may apply to you or your small business.**

#### **How to contact SEOLS:**

**[www.seols.org](http://www.seols.org) or call 844-302-1800**

We have offices in Athens, Chillicothe, New Philadelphia,  
Newark, Portsmouth, and Steubenville

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