



Frequently Asked Questions

Military

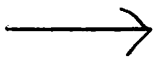
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3. I'm retired from the Air Force and reside in Ohio. What tax obligations do I have for my military retirement pay, and if I should become deceased before my spouse, how is income from the military Survivor Benefit Plan treated under Ohio law?

For taxable year 2007 and prior years, Ohio residents must pay Ohio income tax on their military retirement income. However, these taxpayers are eligible for a retirement income credit of up to \$200, based on the amount of retirement income received during the taxable year (claim the credit on line 49 of Ohio Tax Department form IT-1040). Income which a spouse receives from a military survivor benefit plan is also treated as retirement income and is also eligible for the credit of up to \$200.

Military retirement income and survivor benefit plan income is also subject to school district income tax if the taxpayer resides in a school district that levies the "traditional method" income tax. Military retirement income and survivor benefit plan income is not subject to school district income tax if the taxpayer resides in a school district levying the "alternative method" income tax, which is based on earned income only (to determine what school district you reside in and if you are subject to school district income tax, see [Ohio School Districts - 2007](#) and [Ohio School Districts with an Income Tax - 2007](#); if you are liable for payment of school district income tax see the [Ohio School District Income Tax Instructions](#) booklet).

The retirement income credit does not apply to the school district income tax.



Effective for taxable years beginning after Dec. 31, 2007, military retired pay of taxpayers who retired from service in the active or reserve components of the U.S. Army, Navy, Air Force, Marine Corps, Coast Guard, or from the National Guard, and SBP benefits, are exempt from state income tax and school district income tax. This pay can be deducted from federal adjusted gross income.

Eligible taxpayers can request that their Ohio withholding be adjusted by contacting the Defense Finance and Accounting Service at www.dfas.mil or (877) 363-3677. Federal civil service retirees who received federal service credit for military service are allowed to deduct only that portion of their pension attributable to military service.

Note: Since military retirement income is deducted from federal adjusted gross income and thus is not included in Ohio adjusted gross income for post-2007 years, military retirement income does not qualify for the retirement income credit.