



Income Tax Responsibilities For West Virginia Resident Shareholders Of An Ohio S - Corporation

This publication provides general information concerning the income tax responsibilities of West Virginia residents who are shareholders of an Ohio S-Corporation and receive guaranteed payments that are treated as business income for Ohio income tax purposes.

West Virginia taxes the pro-rata share of a West Virginia resident shareholder from an S-Corporation to the extent it is included in their federal adjusted gross income, with certain modifications. West Virginia also taxes a West Virginia resident's wages or salary received from an S-Corporation as an employee of the S-Corporation.

The "Reciprocal Tax Agreement Between State of West Virginia and State of Ohio" pertains to compensation paid by resident employers to nonresident employees as wages and salaries. The Agreement does not apply to income received as a pro rata share of S-Corporation income by a shareholder.

Ohio tax laws include a Pass-through Entity Tax, which is assessed on the nonresident shareholder's distribution share of the entity's income apportioned to Ohio. Ohio's definition of the income is defined to include apportioned distributive share plus the guaranteed payments made by a partnership and the compensation paid by an S corporation to its shareholders. It does not include all shareholders, but rather, only those having a 20% or greater direct or indirect ownership interest.

In summary, West Virginia residents are allowed a Schedule E credit against their West Virginia income tax for income tax imposed by the State of Ohio on guaranteed payments when **all** of the following requirements are met:

Directly or indirectly own a 20% or greater interest in an Ohio S-Corp, LLC or Partnership; and

Received guaranteed payments that are treated as business income for Ohio personal income tax purposes; and

Personal income tax was paid to the state of Ohio on this income.

A completed West Virginia Schedule E, a copy of the Ohio personal income tax return and the following signed statement **must** be attached to the West Virginia personal income tax return:

"I own a 20% or greater interest in an Ohio S-Corp, LLC or Partnership and have received guaranteed payments that are treated as business income by the State of Ohio and have paid personal income tax to the State of Ohio on this income".

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