A BILL

To amend sections 5747.02 and 5747.98 and to enact sections 901.61 and 5747.72 of the Revised Code to allow income tax credits for beginning farmers who participate in a financial management program and for businesses that sell or rent agricultural land, livestock, facilities, or equipment to beginning farmers.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5747.02 and 5747.98 be amended and sections 901.61 and 5747.72 of the Revised Code be enacted to read as follows:

Sec. 901.61. (A) For the purposes of the tax credit authorized in division (B) of section 5747.72 of the Revised Code, the director of agriculture shall certify individuals as beginning farmers. An individual may apply to the director for certification, and the director shall provide the certification if the director determines that the individual meets all of the requirements of this division. To qualify, the individual must be a resident of this state and:
(1) Be seeking entry, or have entered within the last ten years, into farming;

(2) Farm, or intend to farm, land in this state;

(3) Not be related by consanguinity or affinity to the owner of the agricultural assets from whom the individual is seeking to purchase or rent those assets, or to a partner, member, shareholder, or trustee of such an owner.

(4) Have a total net worth, including the assets and liabilities of the individual's spouse and dependents, of less than eight hundred thousand dollars in 2019 and an amount in subsequent years which is adjusted for inflation by multiplying that amount by the cumulative inflation rate as determined by the consumer price index (all items) prepared by the United States bureau of labor statistics.

(5) Provide the majority of the day-to-day physical labor for and management of the farm;

(6) Have adequate farming experience or demonstrate knowledge in the type of farming for which the individual seeks assistance;

(7) Submit projected earnings statements and demonstrate a profit potential;

(8) Demonstrate that farming will be a significant source of income for the individual;

(9) Participate in a financial management program approved by the director under division (B) of this section;

(10) Meet any other requirements prescribed by the director.
(B) For the purposes of the tax credit authorized in division (C) of section 5747.72 of the Revised Code, the director of agriculture shall certify financial management programs that would qualify a beginning farmer for the credit authorized under that division. The director shall establish a procedure for certifying such programs and shall maintain a list of certified programs on the department of agriculture's website.

(C) The director of agriculture may adopt any rules necessary to administer this section.

Sec. 5747.02. (A) For the purpose of providing revenue for the support of schools and local government functions, to provide relief to property taxpayers, to provide revenue for the general revenue fund, and to meet the expenses of administering the tax levied by this chapter, there is hereby levied on every individual, trust, and estate residing in or earning or receiving income in this state, on every individual, trust, and estate earning or receiving lottery winnings, prizes, or awards pursuant to Chapter 3770. of the Revised Code, on every individual, trust, and estate earning or receiving winnings on casino gaming, and on every individual, trust, and estate otherwise having nexus with or in this state under the Constitution of the United States, an annual tax measured as prescribed in divisions (A)(1) to (4) of this section.

(1) In the case of trusts, the tax imposed by this section shall be measured by modified Ohio taxable income under division (D) of this section and levied in the same amount as the tax is imposed on estates as prescribed in division (A)(2) of this section.

(2) In the case of estates, the tax imposed by this
section shall be measured by Ohio taxable income and levied at
the rate of seven thousand four hundred twenty-five ten-
thousandths per cent for the first ten thousand five hundred
dollars of such income and, for income in excess of that amount,
at the same rates prescribed in division (A)(3) of this section
for individuals.

(3) In the case of individuals, for taxable years
beginning in 2017 or thereafter, the tax imposed by this section
on income other than taxable business income shall be measured
by Ohio adjusted gross income, less taxable business income and
less an exemption for the taxpayer, the taxpayer's spouse, and
each dependent as provided in section 5747.025 of the Revised
Code. If the balance thus obtained is equal to or less than ten
thousand five hundred dollars, no tax shall be imposed on that
balance. If the balance thus obtained is greater than ten
thousand five hundred dollars, the tax is hereby levied as
follows:

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<thead>
<tr>
<th>OHIO ADJUSTED GROSS</th>
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<tbody>
<tr>
<td>INCOME LESS TAXABLE</td>
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<tr>
<td>BUSINESS INCOME AND EXEMPTIONS</td>
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<tr>
<td>(INDIVIDUALS)</td>
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<tr>
<td>OR</td>
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<tr>
<td>MODIFIED OHIO</td>
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<tr>
<td>TAXABLE INCOME (TRUSTS)</td>
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<tr>
<td>OR</td>
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<tr>
<td>OHIO TAXABLE INCOME (ESTATES)</td>
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| TAX |

More than $10,500 but $77.96 plus 1.980% of the amount
not more than $15,800 in excess of $10,500

More than $15,800 but $182.90 plus 2.476% of the amount
not more than $21,100 in excess of $15,800
More than $21,100 but $314.13 plus 2.969% of the amount
not more than $42,100 in excess of $21,100

More than $42,100 but $937.62 plus 3.465% of the amount
not more than $84,200 in excess of $42,100

More than $84,200 but $2,396.39 plus 3.960% of the amount
not more than $105,300 in excess of $84,200

More than $105,300 but $3,231.95 plus 4.597% of the amount
not more than $210,600 in excess of $105,300

More than $210,600 $8,072.59 plus 4.997% of the amount
in excess of $210,600

(4)(a) In the case of individuals, for taxable years
beginning in 2016 or thereafter, the tax imposed by this section
on taxable business income shall equal three per cent of the
result obtained by subtracting any amount allowed under division
(A)(4)(b) of this section from the individual's taxable business
income.

(b) If the exemptions allowed to an individual under
division (A)(3) of this section exceed the taxpayer's Ohio
adjusted gross income less taxable business income, the excess
shall be deducted from taxable business income before computing
the tax under division (A)(4)(a) of this section.

(5) Except as otherwise provided in this division, in
August of each year, the tax commissioner shall make a new
adjustment to the income amounts prescribed in divisions (A)(2)
and (3) of this section by multiplying the percentage increase
in the gross domestic product deflator computed that year under
section 5747.025 of the Revised Code by each of the income
amounts resulting from the adjustment under this division in the
preceding year, adding the resulting product to the
corresponding income amount resulting from the adjustment in the preceding year, and rounding the resulting sum to the nearest multiple of fifty dollars. The tax commissioner also shall recompute each of the tax dollar amounts to the extent necessary to reflect the new adjustment of the income amounts. To recompute the tax dollar amount corresponding to the lowest tax rate in division (A)(3) of this section, the commissioner shall multiply the tax rate prescribed in division (A)(2) of this section by the income amount specified in that division and as adjusted according to this paragraph. The rates of taxation shall not be adjusted.

The adjusted amounts apply to taxable years beginning in the calendar year in which the adjustments are made and to taxable years beginning in each ensuing calendar year until a calendar year in which a new adjustment is made pursuant to this division. The tax commissioner shall not make a new adjustment in any year in which the amount resulting from the adjustment would be less than the amount resulting from the adjustment in the preceding year.

(B) If the director of budget and management makes a certification to the tax commissioner under division (B) of section 131.44 of the Revised Code, the amount of tax as determined under divisions (A)(1) to (3) of this section shall be reduced by the percentage prescribed in that certification for taxable years beginning in the calendar year in which that certification is made.

(C) The levy of this tax on income does not prevent a municipal corporation, a joint economic development zone created under section 715.691, or a joint economic development district created under section 715.70, 715.71, or 715.72 of the Revised Code.
(D) This division applies only to taxable years of a trust beginning in 2002 or thereafter.

(1) The tax imposed by this section on a trust shall be computed by multiplying the Ohio modified taxable income of the trust by the rates prescribed by division (A) of this section.

(2) A resident trust may claim a credit against the tax computed under division (D) of this section equal to the lesser of (a) the tax paid to another state or the District of Columbia on the resident trust's modified nonbusiness income, other than the portion of the resident trust's nonbusiness income that is qualifying investment income as defined in section 5747.012 of the Revised Code, or (b) the effective tax rate, based on modified Ohio taxable income, multiplied by the resident trust's modified nonbusiness income other than the portion of the resident trust's nonbusiness income that is qualifying investment income. The credit applies before any other applicable credits.

(3) The credits enumerated in divisions (A)(1) to (9) and (A)(10) to (20) of section 5747.98 of the Revised Code do not apply to a trust subject to division (D) of this section. Any credits enumerated in other divisions of section 5747.98 of the Revised Code apply to a trust subject to division (D) of this section. To the extent that the trust distributes income for the taxable year for which a credit is available to the trust, the credit shall be shared by the trust and its beneficiaries. The tax commissioner and the trust shall be guided by applicable regulations of the United States treasury regarding the sharing of credits.
(E) For the purposes of this section, "trust" means any trust described in Subchapter J of Chapter 1 of the Internal Revenue Code, excluding trusts that are not irrevocable as defined in division (I)(3)(b) of section 5747.01 of the Revised Code and that have no modified Ohio taxable income for the taxable year, charitable remainder trusts, qualified funeral trusts and preneed funeral contract trusts established pursuant to sections 4717.31 to 4717.38 of the Revised Code that are not qualified funeral trusts, endowment and perpetual care trusts, qualified settlement trusts and funds, designated settlement trusts and funds, and trusts exempted from taxation under section 501(a) of the Internal Revenue Code.

(F) Nothing in division (A)(3) of this section shall prohibit an individual with an Ohio adjusted gross income, less taxable business income and exemptions, of ten thousand five hundred dollars or less from filing a return under this chapter to receive a refund of taxes withheld or to claim any refundable credit allowed under this chapter.

Sec. 5747.72. (A) As used in this section:

(1) "Agricultural asset" means agricultural land, livestock, facilities, buildings, and machinery used for agricultural production in this state.

(2) "Agricultural land" means land that is composed of tracts, lots, or parcels totaling not less than ten acres devoted to agricultural production or totaling less than ten acres devoted to agricultural production if the land produces an average yearly gross income of at least twenty-five hundred dollars from agricultural production.

(3) "Agricultural production" has the same meaning as in
section 929.01 of the Revised Code.

(4) "Beginning farmer" means an individual certified by the director of agriculture as a beginning farmer under section 901.61 of the Revised Code.

(5) "Owner of agricultural assets" means a person that is the owner in fee of agricultural land or that has legal title to any other agricultural asset. An "owner of agricultural assets" does not include an equipment dealer or comparable entity engaged in the business of selling agricultural assets for profit.

(6) "Share rent agreement" means a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of the agricultural products produced from the rented agricultural assets and which provides for sharing production costs or risk of loss.

(B) A credit shall be allowed against a taxpayer's aggregate liability under section 5747.02 of the Revised Code for an owner of agricultural assets who sells or rents agricultural assets to a beginning farmer. The rental of an agricultural asset qualifies for the credit only if the asset is rented at prevailing community rates, as determined by the tax commissioner.

The amount of the credit equals one of the following amounts:

(1) Five per cent of the sale price of the agricultural asset;

(2) Ten per cent of the gross rental income received during each of the first three years of a rental agreement;
(3) Fifteen per cent of the cash equivalent of the gross rental income received during each of the first three years of a share rent agreement.

In the case of the sale of an agricultural asset, the credit shall be claimed for the taxable year in which the sale is consummated. In the case of the rental of an agricultural asset, the credit shall be claimed for the three taxable years ending during the first three years of the rental agreement or share rent agreement.

The credit shall be claimed in the order required under section 5747.98 of the Revised Code. If a credit exceeds the aggregate amount of tax otherwise due for a taxable year, the excess may be carried forward and applied against the tax due for not more than fifteen succeeding taxable years, provided that the amount applied to the tax due for any taxable year shall be subtracted from the amount available to carry forward to succeeding years.

(C) A credit shall be allowed against a taxpayer's aggregate liability under section 5747.02 of the Revised Code for a beginning farmer who participates in a financial management program approved by the director of agriculture under section 901.61 of the Revised Code. The amount of the credit shall equal the cost of participating in the program during the taxable year. A taxpayer may claim a credit under this division for not more than three taxable years.

The credit shall be claimed in the order required under section 5747.98 of the Revised Code. If a credit exceeds the aggregate amount of tax otherwise due for the taxable year, the excess may be carried forward and applied against the tax due for not more than three succeeding taxable years, provided that
the amount applied to the tax due for any taxable year shall be subtracted from the amount available to carry forward to succeeding years.

Sec. 5747.98. (A) To provide a uniform procedure for calculating a taxpayer's aggregate tax liability under section 5747.02 of the Revised Code, a taxpayer shall claim any credits to which the taxpayer is entitled in the following order:

(1) Either the retirement income credit under division (B) of section 5747.055 of the Revised Code or the lump sum retirement income credits under divisions (C), (D), and (E) of that section;

(2) Either the senior citizen credit under division (F) of section 5747.055 of the Revised Code or the lump sum distribution credit under division (G) of that section;

(3) The dependent care credit under section 5747.054 of the Revised Code;

(4) The credit for displaced workers who pay for job training under section 5747.27 of the Revised Code;

(5) The campaign contribution credit under section 5747.29 of the Revised Code;

(6) The twenty-dollar personal exemption credit under section 5747.022 of the Revised Code;

(7) The joint filing credit under division (G) of section 5747.05 of the Revised Code;

(8) The earned income credit under section 5747.71 of the Revised Code;

(9) The credit for adoption of a minor child under section
5747.37 of the Revised Code;

(10) The nonrefundable job retention credit under division (B) of section 5747.058 of the Revised Code;

(11) The enterprise zone credit under section 5709.66 of the Revised Code;

(12) The ethanol plant investment credit under section 5747.75 of the Revised Code;

(13) The credit for beginning farmers who participate in a financial management program under division (C) of section 5747.72 of the Revised Code;

(14) The credit for purchases of qualifying grape production property under section 5747.28 of the Revised Code;

(14)–(15) The small business investment credit under section 5747.81 of the Revised Code;

(15)–(16) The credit for selling or renting agricultural assets to beginning farmers under division (B) of section 5747.72 of the Revised Code;

(17) The enterprise zone credits under section 5709.65 of the Revised Code;

(16)–(18) The research and development credit under section 5747.331 of the Revised Code;

(17)–(19) The credit for rehabilitating a historic building under section 5747.76 of the Revised Code;

(18)–(20) The nonresident credit under division (A) of section 5747.05 of the Revised Code;

(19)–(21) The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;
The refundable motion picture production credit under section 5747.66 of the Revised Code;

The refundable jobs creation credit or job retention credit under division (A) of section 5747.058 of the Revised Code;

The refundable credit for taxes paid by a qualifying entity granted under section 5747.059 of the Revised Code;

The refundable credits for taxes paid by a qualifying pass-through entity granted under division (I) of section 5747.08 of the Revised Code;

The refundable credit under section 5747.80 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code;

The refundable credit for rehabilitating a historic building under section 5747.76 of the Revised Code;

The refundable credit for financial institution taxes paid by a pass-through entity granted under section 5747.65 of the Revised Code.

(B) For any credit, except the refundable credits enumerated in this section and the credit granted under division (H) of section 5747.08 of the Revised Code, the amount of the credit for a taxable year shall not exceed the taxpayer's aggregate amount of tax due under section 5747.02 of the Revised Code, after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating that credit. Nothing in this chapter shall be
construed to allow a taxpayer to claim, directly or indirectly, a credit more than once for a taxable year.

Section 2. That existing sections 5747.02 and 5747.98 of the Revised Code are hereby repealed.

Section 3. The amendment or enactment by this act of sections 5747.02, 5747.72, and 5747.98 of the Revised Code applies to taxable years beginning on or after January 1, 2019.