A BILL

To amend sections 5733.41 and 5747.41 of the Revised Code to reduce the pass-through entity withholding tax rate to four per cent.

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

Section 1. That sections 5733.41 and 5747.41 of the Revised Code be amended to read as follows:

Sec. 5733.41. The purpose of the tax imposed by this section is to complement and to reinforce the tax imposed under section 5733.06 of the Revised Code.

For the same purposes for which the tax is levied under section 5733.06 of the Revised Code, there is hereby levied a tax on every qualifying pass-through entity having at least one qualifying investor that is not an individual. The tax imposed by this section is imposed on the sum of the adjusted qualifying amounts of the qualifying pass-through entity's qualifying investors that are not individuals as follows: for or are not qualifying investors subject to division (G)(2) of section 5733.01 of the Revised Code, at six and eight tenths per cent for the entity's taxable year ending in 2005, at five and one-
tenth per cent for the entity's taxable year ending in 2006, at
three and four-tenths per cent for the entity's taxable year
ending in 2007, at one and seven-tenths per cent for the
entity's taxable year ending in 2008, and at zero per cent for
the entity's taxable year ending in 2009 or in subsequent years;
and for all other qualifying investors that are not individuals,
at the rate of eight and one-half-four per cent.

The tax imposed by this section applies only if the
qualifying entity has nexus with this state under the
Constitution of the United States for any portion of the
qualifying entity's qualifying taxable year, and the sum of the
qualifying entity's adjusted qualifying amounts exceeds one
thousand dollars for the qualifying entity's qualifying taxable
year. This section does not apply to a pass-through entity if
all of the partners, shareholders, members, or investors of the
pass-through entity are taxpayers for the purposes of section
5733.04 of the Revised Code without regard to section 5733.09 of
the Revised Code for the entire qualifying taxable year of the
pass-through entity.

If, prior to the due date of the return, a qualifying
pass-through entity receives from an investor a written
representation, under penalties of perjury, that the investor is
described in division (1)(1), (2), (6), (7), (8), or (9) of
section 5733.40 of the Revised Code for the qualifying pass-
through entity's entire qualifying taxable year, the qualifying
pass-through entity is not required to withhold or pay the taxes
or estimated taxes imposed under this section or sections
5747.41 to 5747.453 of the Revised Code with respect to that
investor for that qualifying taxable year, and is not subject to
any interest or interest penalties for failure to withhold or
pay those taxes or estimated taxes with respect to that investor.
for that qualifying taxable year.

    If, prior to the due date of the return, a qualifying trust receives from a beneficiary of that trust a written representation, under penalties of perjury, that the beneficiary is a resident taxpayer for the purposes of Chapter 5747. of the Revised Code for the qualifying trust's entire qualifying taxable year, the qualifying trust is not required to withhold or pay the taxes or estimated taxes imposed under this section or sections 5747.41 to 5747.453 of the Revised Code with respect to that beneficiary for that qualifying taxable year, and is not subject to any interest or interest penalties for failure to withhold or pay those taxes or estimated taxes with respect to that beneficiary for that qualifying taxable year.

    The tax commissioner may adopt rules for the purpose of the tax levied by this section or section 5747.41 of the Revised Code, including a rule defining "qualifying investor" or "qualifying beneficiary," and a rule requiring or permitting a qualifying entity to combine its income with related members and to pay the tax and estimated tax on a combined basis.

    Sections 5747.10 to 5747.19 and 5747.42 to 5747.453 of the Revised Code apply to a qualifying entity subject to the tax imposed under this section.

    The levy of the tax under this section does not prevent a municipal corporation or a joint economic development district created under section 715.70, 715.71, or 715.72 of the Revised Code from levying a tax on income.

    Sec. 5747.41. For the same purposes for which the tax is levied under section 5747.02 of the Revised Code, there is hereby levied a withholding tax on every qualifying pass-through income.
entity having at least one qualifying investor who is an individual and on every qualifying trust having at least one qualifying beneficiary who is an individual. The withholding tax imposed by this section is imposed on the sum of the adjusted qualifying amounts of a qualifying pass-through entity's qualifying investors who are individuals and on the sum of the adjusted qualifying amounts of a qualifying trust's qualifying beneficiaries, at the rate of five-fourths per cent of that sum.

The tax imposed by this section applies only if the qualifying entity has nexus with this state under the Constitution of the United States for any portion of the qualifying entity's qualifying taxable year, and the sum of the qualifying entity's adjusted qualifying amounts exceeds one thousand dollars for the qualifying entity's qualifying taxable year.

The levy of the tax under this section does not prevent a municipal corporation or a joint economic development district created under section 715.70, 715.71, or 715.72 of the Revised Code from levying a tax on income.

Section 2. That existing sections 5733.41 and 5747.41 of the Revised Code are hereby repealed.

Section 3. The amendment by this act of sections 5733.41 and 5747.41 of the Revised Code applies to qualifying taxable years ending on or after the effective date of this section.