A BILL

To amend sections 5747.02, 5747.37, and 5747.98 of the Revised Code to enhance the tax credit awarded for family adoptions.

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

Section 1. That sections 5747.02, 5747.37, and 5747.98 of the Revised Code be amended to read as follows:

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:

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

OHIO TAXABLE INCOME (ESTATES) 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 recompose each of the tax dollar amounts to the extent necessary to reflect the new adjustment of the income amounts. To recompose 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 from levying a tax on income.

(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)(18) 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. 5747.37. (A) As used in this section:

(1) "Minor child" means a person under eighteen years of age.

(2) "Legally adopt" means to adopt a minor child pursuant
to Chapter 3107. of the Revised Code, or pursuant to the laws of any other state or nation if such an adoption is recognizable under section 3107.18 of the Revised Code. For the purposes of this section, a minor child is legally adopted when the final decree or order of adoption is issued by the proper court under the laws of the state or nation under which the child is adopted, or, in the case of an interlocutory order of adoption, when the order becomes final under the laws of the state or nation. "Legally adopt" does not include the adoption of a minor child by the child's stepparent.

(B) There is hereby granted a refundable credit against a taxpayer's aggregate tax liability under section 5747.02 of the Revised Code for the legal adoption by a taxpayer of a minor child. The amount of the credit for each minor child legally adopted by the taxpayer shall equal the greater of the following:

(1) One Five thousand five hundred dollars;

(2) The amount of expenses incurred by the taxpayer and the taxpayer's spouse to legally adopt the child, not to exceed ten thousand dollars. For the purposes of this division, expenses incurred to legally adopt a child include expenses described in division (C) of section 3107.055 of the Revised Code.

The taxpayer shall claim the credit for each child beginning with the taxable year in which the child was legally adopted. If the sum of the credit to which the taxpayer would otherwise be entitled under this section is greater than the total tax due under section 5747.02 of the Revised Code for that taxable year after allowing for any other credits that precede the credit under this section in the order required under
section 5747.98 of the Revised Code, such excess shall be
allowed as a credit in each of the ensuing five taxable years,
but the amount of any excess credit allowed in any such taxable
year shall be deducted from the balance carried forward to the
ensuing taxable year. The credit shall be claimed in the order
required under section 5747.98 of the Revised Code. For the
purposes of making tax payments under this chapter, taxes equal
to the amount of the credit shall be considered to be paid to
this state on the first day of the taxable year refunded to the
taxpayer.

The taxpayer shall provide to the tax commissioner any
receipts or other documentation of the expenses incurred to
legally adopt the child upon the request of the tax commissioner
for the purpose of division (B)(2) of this section.

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 purchases of qualifying grape production property under section 5747.28 of the Revised Code;

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

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

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

(17) The credit for rehabilitating a historic building under section 5747.76 of the Revised Code;
(18) The nonresident credit under division (A) of section 5747.05 of the Revised Code;

(19) The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;

(20) The refundable motion picture production credit under section 5747.66 of the Revised Code;

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

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

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

(24) 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;

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

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

(26) The refundable credit for adoption of a minor child under section 5747.37 of the Revised Code.

(B) For any credit, except the refundable credits
As Introduced

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, 5747.37, and 5747.98 of the Revised Code are hereby repealed.

Section 3. The amendment by this act of sections 5747.37 and 5747.98 of the Revised Code applies to taxable years ending on or after the effective date of this act.