

**As Introduced**

**132nd General Assembly**

**Regular Session**

**2017-2018**

**H. B. No. 777**

**Representative Merrin**

**Cosponsors: Representatives Green, Antani, Thompson, Becker, Riedel, Lang,  
Romanchuk, Vitale, Keller, Zeltwanger, Brinkman, Hood, Dean, McClain, Wiggam,  
Roegner, Young, Retherford**

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**A BILL**

To amend section 5747.02 of the Revised Code to 1  
enact the Income Tax Reduction Act to lower 2  
income tax rates by the amount necessary to 3  
round each tax rate percentage down to the 4  
nearest one-tenth of one per cent, beginning in 5  
2018, and to require that future tax rates be 6  
expressed in increments of one-tenth of one per 7  
cent. 8

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

**Section 1.** That section 5747.02 of the Revised Code be 9  
amended to read as follows: 10

**Sec. 5747.02.** (A) For the purpose of providing revenue for 11  
the support of schools and local government functions, to 12  
provide relief to property taxpayers, to provide revenue for the 13  
general revenue fund, and to meet the expenses of administering 14  
the tax levied by this chapter, there is hereby levied on every 15  
individual, trust, and estate residing in or earning or 16  
receiving income in this state, on every individual, trust, and 17

estate earning or receiving lottery winnings, prizes, or awards 18  
pursuant to Chapter 3770. of the Revised Code, on every 19  
individual, trust, and estate earning or receiving winnings on 20  
casino gaming, and on every individual, trust, and estate 21  
otherwise having nexus with or in this state under the 22  
Constitution of the United States, an annual tax measured as 23  
prescribed in divisions (A) (1) to (4) of this section. 24

(1) In the case of trusts, the tax imposed by this section 25  
shall be measured by modified Ohio taxable income under division 26  
(D) of this section and levied in the same amount as the tax is 27  
imposed on estates as prescribed in division (A) (2) of this 28  
section. 29

(2) In the case of estates, the tax imposed by this 30  
section shall be measured by Ohio taxable income and levied at 31  
the rate of ~~seven thousand four hundred twenty five ten~~ 32  
~~thousandths~~ seven-tenths of one per cent for the first ten 33  
thousand five hundred dollars of such income and, for income in 34  
excess of that amount, at the same rates prescribed in division 35  
(A) (3) of this section for individuals. 36

(3) In the case of individuals, for taxable years 37  
beginning in ~~2017-2018~~ 2018 or thereafter, the tax imposed by this 38  
section on income other than taxable business income shall be 39  
measured by Ohio adjusted gross income, less taxable business 40  
income and less an exemption for the taxpayer, the taxpayer's 41  
spouse, and each dependent as provided in section 5747.025 of 42  
the Revised Code. If the balance thus obtained is equal to or 43  
less than ten thousand five hundred dollars, no tax shall be 44  
imposed on that balance. If the balance thus obtained is greater 45  
than ten thousand five hundred dollars, the tax is hereby levied 46  
as follows: 47

OHIO ADJUSTED GROSS	48
INCOME LESS TAXABLE	49
BUSINESS INCOME AND EXEMPTIONS	50
(INDIVIDUALS)	51
OR	52
MODIFIED OHIO	53
TAXABLE INCOME (TRUSTS)	54
OR	55
OHIO TAXABLE INCOME (ESTATES) TAX	56
More than <del>\$10,500</del> <u>10,850</u> but <del>\$77.96</del> <u>80.56</u> plus <del>1.980</del> <u>1.9</u> % of	57
not more than <del>\$15,800</del> the amount in excess of <del>\$10,500</del> <u>16,300</u>	58
<u>10,850</u>	59
More than <del>\$15,800</del> <u>16,300</u> but <del>\$182.90</del> <u>184.11</u> plus <del>2.476</del> <u>2.4</u> % of	60
not more than <del>\$21,100</del> the amount in excess of <del>\$15,800</del>	61
<u>21,750</u> <u>16,300</u>	62
More than <del>\$21,100</del> <u>21,750</u> but <del>\$314.13</del> <u>314.91</u> plus <del>2.969</del> <u>2.9</u> % of	63
not more than <del>\$42,100</del> the amount in excess of <del>\$21,100</del>	64
<u>43,450</u> <u>21,750</u>	65
More than <del>\$42,100</del> <u>43,450</u> but <del>\$937.62</del> <u>944.21</u> plus <del>3.465</del> <u>3.4</u> % of	66
not more than <del>\$84,200</del> the amount in excess of <del>\$42,100</del>	67
<u>86,900</u> <u>43,450</u>	68
More than <del>\$84,200</del> <u>86,900</u> but <del>\$2,396.39</del> <u>2,421.51</u> plus <del>3.960</del>	69
not more than <del>\$105,300</del> <u>3.9</u> % of the amount in excess of	70
<u>108,700</u> <del>\$84,200</del> <u>86,900</u>	71
More than <del>\$105,300</del> <u>108,700</u> <del>\$3,231.95</del> <u>3,271.71</u> plus <del>4.597</del>	72

but not more than ~~\$210,600~~ 4.5% of the amount in excess of 73  
217,400 ~~\$105,300-108,700~~ 74

More than ~~\$210,600-217,400~~ ~~\$8,072.59-8,163.21~~ plus ~~4.997~~ 75  
4.9% of the amount in excess of 76  
~~\$210,600-217,400~~ 77

(4) (a) In the case of individuals, for taxable years 78  
beginning in 2016 or thereafter, the tax imposed by this section 79  
on taxable business income shall equal three per cent of the 80  
result obtained by subtracting any amount allowed under division 81  
(A) (4) (b) of this section from the individual's taxable business 82  
income. 83

(b) If the exemptions allowed to an individual under 84  
division (A) (3) of this section exceed the taxpayer's Ohio 85  
adjusted gross income less taxable business income, the excess 86  
shall be deducted from taxable business income before computing 87  
the tax under division (A) (4) (a) of this section. 88

(5) Except as otherwise provided in this division, in 89  
August of each year, the tax commissioner shall make a new 90  
adjustment to the income amounts prescribed in divisions (A) (2) 91  
and (3) of this section by multiplying the percentage increase 92  
in the gross domestic product deflator computed that year under 93  
section 5747.025 of the Revised Code by each of the income 94  
amounts resulting from the adjustment under this division in the 95  
preceding year, adding the resulting product to the 96  
corresponding income amount resulting from the adjustment in the 97  
preceding year, and rounding the resulting sum to the nearest 98  
multiple of fifty dollars. The tax commissioner also shall 99  
recompute each of the tax dollar amounts to the extent necessary 100  
to reflect the new adjustment of the income amounts. To 101

recompute the tax dollar amount corresponding to the lowest tax 102  
rate in division (A) (3) of this section, the commissioner shall 103  
multiply the tax rate prescribed in division (A) (2) of this 104  
section by the income amount specified in that division and as 105  
adjusted according to this paragraph. The rates of taxation 106  
shall not be adjusted. 107

The adjusted amounts apply to taxable years beginning in 108  
the calendar year in which the adjustments are made and to 109  
taxable years beginning in each ensuing calendar year until a 110  
calendar year in which a new adjustment is made pursuant to this 111  
division. The tax commissioner shall not make a new adjustment 112  
in any year in which the amount resulting from the adjustment 113  
would be less than the amount resulting from the adjustment in 114  
the preceding year. 115

(6) The tax rates prescribed in division (A) (3) of this 116  
section, including tax rates reduced in accordance with division 117  
(B) of this section, shall be expressed as percentages rounded 118  
down to the nearest one-tenth of one per cent. 119

(B) If the director of budget and management makes a 120  
certification to the tax commissioner under division (B) of 121  
section 131.44 of the Revised Code, the amount of tax as 122  
determined under divisions (A) (1) to (3) of this section shall 123  
be reduced by the percentage prescribed in that certification 124  
for taxable years beginning in the calendar year in which that 125  
certification is made. 126

(C) The levy of this tax on income does not prevent a 127  
municipal corporation, a joint economic development zone created 128  
under section 715.691, or a joint economic development district 129  
created under section 715.70, 715.71, or 715.72 of the Revised 130  
Code from levying a tax on income. 131

(D) This division applies only to taxable years of a trust 132  
beginning in 2002 or thereafter. 133

(1) The tax imposed by this section on a trust shall be 134  
computed by multiplying the Ohio modified taxable income of the 135  
trust by the rates prescribed by division (A) of this section. 136

(2) A resident trust may claim a credit against the tax 137  
computed under division (D) of this section equal to the lesser 138  
of (a) the tax paid to another state or the District of Columbia 139  
on the resident trust's modified nonbusiness income, other than 140  
the portion of the resident trust's nonbusiness income that is 141  
qualifying investment income as defined in section 5747.012 of 142  
the Revised Code, or (b) the effective tax rate, based on 143  
modified Ohio taxable income, multiplied by the resident trust's 144  
modified nonbusiness income other than the portion of the 145  
resident trust's nonbusiness income that is qualifying 146  
investment income. The credit applies before any other 147  
applicable credits. 148

(3) The credits enumerated in divisions (A)(1) to (9) and 149  
(A)(18) to (20) of section 5747.98 of the Revised Code do not 150  
apply to a trust subject to division (D) of this section. Any 151  
credits enumerated in other divisions of section 5747.98 of the 152  
Revised Code apply to a trust subject to division (D) of this 153  
section. To the extent that the trust distributes income for the 154  
taxable year for which a credit is available to the trust, the 155  
credit shall be shared by the trust and its beneficiaries. The 156  
tax commissioner and the trust shall be guided by applicable 157  
regulations of the United States treasury regarding the sharing 158  
of credits. 159

(E) For the purposes of this section, "trust" means any 160  
trust described in Subchapter J of Chapter 1 of the Internal 161

Revenue Code, excluding trusts that are not irrevocable as 162  
defined in division (I) (3) (b) of section 5747.01 of the Revised 163  
Code and that have no modified Ohio taxable income for the 164  
taxable year, charitable remainder trusts, qualified funeral 165  
trusts and preneed funeral contract trusts established pursuant 166  
to sections 4717.31 to 4717.38 of the Revised Code that are not 167  
qualified funeral trusts, endowment and perpetual care trusts, 168  
qualified settlement trusts and funds, designated settlement 169  
trusts and funds, and trusts exempted from taxation under 170  
section 501(a) of the Internal Revenue Code. 171

(F) Nothing in division (A) (3) of this section shall 172  
prohibit an individual with an Ohio adjusted gross income, less 173  
taxable business income and exemptions, of ten thousand five 174  
hundred dollars or less from filing a return under this chapter 175  
to receive a refund of taxes withheld or to claim any refundable 176  
credit allowed under this chapter. 177

**Section 2.** That existing section 5747.02 of the Revised 178  
Code is hereby repealed. 179

**Section 3.** This act shall be known as the "Income Tax 180  
Reduction Act." 181