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Representatives Hillyer, Leland

**Cosponsors: Representatives Seitz, Ingram, Boggs, Miller, A., Miller, J.,
Crawley, Galonski, Addison, Brent, Callender, Humphrey, Jarrells, Lightbody,
Liston, Oelslager, Ray, Rogers, Russo, Schmidt, Sheehy, Skindell, Sweeney,
Upchurch, West, Speaker Cupp**

A BILL

To amend sections 120.521 and 5747.01 and to enact 1
sections 3333.13, 3333.131, 3333.132, 3333.133, 2
3333.134, 3333.135, 3333.136, and 3333.137 of 3
the Revised Code to establish the Rural Practice 4
Incentive Program, to establish a task force to 5
study Ohio's indigent defense system, and to 6
make an appropriation. 7

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

Section 1. That sections 120.521 and 5747.01 be amended 8
and sections 3333.13, 3333.131, 3333.132, 3333.133, 3333.134, 9
3333.135, 3333.136, and 3333.137 of the Revised Code be enacted 10
to read as follows: 11

Sec. 120.521. (A) The state public defender shall 12
establish a charitable, tax exempt foundation, named the Ohio 13
access to justice foundation, to actively solicit and accept 14
gifts, bequests, donations, and contributions for use in 15
providing financial assistance to legal aid societies, enhancing 16
or improving the delivery of civil legal services to indigents, 17

and operating the foundation. The Ohio access to justice 18
foundation shall deposit all gifts, bequests, donations, and 19
contributions accepted by it into the access to justice 20
foundation fund established under this section. If the state 21
public defender, pursuant to section 120.52 of the Revised Code 22
as it existed prior to June 30, 1995, established a charitable, 23
tax exempt foundation named the Ohio access to justice 24
foundation and if that foundation is in existence on the day 25
before June 30, 1995, that foundation shall continue in 26
existence and shall serve as the Ohio access to justice 27
foundation described in this section. 28

There is hereby established the access to justice 29
foundation fund, which shall be under the custody and control of 30
the Ohio access to justice foundation. The fund shall contain 31
all moneys distributed to the Ohio access to justice foundation 32
pursuant to section 120.53 of the Revised Code and all gifts, 33
bequests, donations, and contributions accepted by the Ohio 34
access to justice foundation under this section. 35

The Ohio access to justice foundation shall distribute or 36
use all moneys in the access to justice foundation fund for the 37
charitable public purpose of providing financial assistance to 38
legal aid societies that provide civil legal services to 39
indigents, enhancing or improving the delivery of civil legal 40
services to indigents, and operating the foundation. The Ohio 41
access to justice foundation shall establish rules governing the 42
administration of the access to justice foundation fund. 43

The Ohio access to justice foundation shall include, in 44
the annual report it is required to make to the governor, the 45
general assembly, and the supreme court pursuant to division (G) 46
(2) of section 120.53 of the Revised Code, an audited financial 47

statement on the distribution and use of the access to justice 48
foundation fund. No information contained in the statement shall 49
identify or enable the identification of any person served by a 50
legal aid society or in any way breach confidentiality. 51

Membership on the board of the Ohio access to justice 52
foundation does not constitute holding another public office and 53
does not constitute grounds for resignation from the senate or 54
house of representatives under section 101.26 of the Revised 55
Code. 56

The Ohio access to justice foundation shall assist the 57
chancellor of higher education by determining the ratio, for 58
each county in the state, of attorneys to total population for 59
the purpose described in section 3333.132 of the Revised Code. 60

(B) A foundation is tax exempt for purposes of this 61
section if the foundation is exempt from federal income taxation 62
under subsection 501(a) of the "Internal Revenue Code of 1986," 63
100 Stat. 2085, 26 U.S.C. 501(a), as amended, and if the 64
foundation has received from the internal revenue service a 65
determination letter that is in effect stating that the 66
foundation is exempt from federal income taxation under that 67
subsection. 68

Sec. 3333.13. As used in sections 3333.13 to 3333.137 of 69
the Revised Code, "employed as a service attorney" means either 70
of the following: 71

(A) An attorney who works a minimum of thirty-five hours 72
per week for a minimum of forty-five weeks each service year and 73
who is employed by any of the following: 74

(1) The state public defender; 75

(2) The prosecuting attorney of a county; 76

<u>(3) A county public defender commission;</u>	77
<u>(4) A joint county public defender commission to represent indigent persons.</u>	78 79
<u>(B) Counsel appointed by the court or selected by an indigent person under division (E) of section 120.16 or division (E) of section 120.26 of the Revised Code, who works in an area designated as an underserved community under section 3333.132 of the Revised Code for a minimum of five hundred twenty hours each service year.</u>	80 81 82 83 84 85
<u>Sec. 3333.131. There is hereby created the rural practice incentive program, which shall be administered by the chancellor of higher education. The purpose of the program is to provide loan repayment on behalf of attorneys who agree to employment as service attorneys in areas designated as underserved communities by the chancellor pursuant to section 3333.132 of the Revised Code.</u>	86 87 88 89 90 91 92
<u>Under the program, the chancellor, by means of a contract entered into under section 3333.135 of the Revised Code, may agree to repay up to the amount set pursuant to section 3333.135 of the Revised Code of the principal and interest of a government or other educational loan taken by an individual for the following expenses, so long as the expenses were incurred while the individual was enrolled in a law school in the United States that was, during the time enrolled, accredited by the American bar association, or a law school located outside the United States for which the individual received a foreign equivalency evaluation:</u>	93 94 95 96 97 98 99 100 101 102 103
<u>(A) Tuition;</u>	104
<u>(B) Other educational expenses, such as fees, books, and</u>	105

expenses, for specific purposes and in amounts determined to be 106
reasonable by the chancellor; 107

(C) Room and board, in an amount determined reasonable by 108
the chancellor. 109

Sec. 3333.132. Each biennium, the chancellor of higher 110
education shall designate by rule any county with a ratio of 111
attorneys to the population in the county equal to or less than 112
one to seven hundred as an underserved community. The Ohio 113
access to justice foundation, pursuant to division (A) of 114
section 120.521 of the Revised Code, shall assist the chancellor 115
by determining the ratio described in this section. 116

Sec. 3333.133. (A) An individual who meets all of the 117
following requirements may apply for participation in the rural 118
practice incentive program: 119

(1) The individual is a citizen of the United States, a 120
national of the United States, or a permanent resident of the 121
United States. 122

(2) The individual either: 123

(a) Is a student enrolled in the final year of law school; 124
or 125

(b) Has been admitted to the practice of law in this state 126
by the Ohio supreme court for less than eight years and remains 127
in good standing. 128

(3) The individual is not enrolled in any other state or 129
federally funded student loan repayment or debt forgiveness 130
program, including under the public service loan forgiveness 131
program, 34 C.F.R. 685.219, or the "John R. Justice Prosecutors 132
and Defenders Incentive Act of 2008," 34 U.S.C. 10671 et seq. 133

(B) An application for participation in the rural practice incentive program shall be submitted to the chancellor of higher education on a form that the chancellor shall prescribe. The individual shall submit the following information with an application: 134
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(1) The individual's name, permanent address or address at which the individual is currently residing if different from the permanent address, and telephone number; 139
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(2) The law school the individual is attending or attended, the dates of attendance, and verification of attendance; 142
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(3) The individual's employer, as applicable; 145

(4) A summary and verification of the educational expenses for which the individual seeks reimbursement under the program; 146
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(5) Verification that the individual has been admitted to the practice of law in this state for less than eight years by the Ohio supreme court and remains in good standing, unless the individual is a student; 148
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(6) Verification the individual is a citizen of the United States, a national of the United States, or a permanent resident of the United States. 152
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Sec. 3333.134. If funds are available in the rural practice incentive fund created under section 3333.136 of the Revised Code and the general assembly has appropriated funds for the rural practice incentive program, the chancellor of higher education shall approve an individual for participation in the program, for reimbursement up to fifty thousand dollars, if the chancellor finds that the individual is eligible for participation in the program. 155
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Upon approval, the chancellor shall notify and enter into 163
discussions with the individual. The object of the discussions 164
is to facilitate the recruitment of the individual to become or 165
remain employed as a service attorney within an underserved 166
community. 167

If the chancellor and individual agree on the individual's 168
employment as a service attorney within an underserved 169
community, the individual shall prepare, sign, and deliver to 170
the chancellor a letter of intent agreeing to that placement. 171

The chancellor shall approve individuals for participation 172
in the rural practice incentive program in a manner 173
proportionate to the number of each of the following types of 174
attorneys who apply to the program, with an aim toward 175
disbursing loan repayments equitably among each type: 176

(A) Attorneys employed by the prosecuting attorney of a 177
county; 178

(B) Attorneys employed by the state public defender, a 179
county public defender commission, or a joint county public 180
defender commission to represent indigent persons; 181

(C) Attorneys described in division (B) of section 3333.13 182
of the Revised Code. 183

Sec. 3333.135. (A) After signing a letter of intent under 184
section 3333.134 of the Revised Code, an individual and the 185
chancellor of higher education may enter into a contract for the 186
individual's participation in the rural practice incentive 187
program. The individual's employer also may be a party to the 188
contract. 189

(B) The contract shall include all of the following 190
obligations: 191

(1) The individual agrees to remain employed as a service attorney within the underserved community identified in the letter of intent for the number of hours and duration specified in the contract; 192
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(2) The chancellor agrees, as provided in section 3333.131 of the Revised Code, to repay, so long as the individual satisfies the service obligation agreed to under division (B) (1) of this section, the following amount of the principal and interest of a government or other educational loan taken by the individual for expenses described in section 3333.131 of the Revised Code: 196
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(a) For a three-year service obligation, up to thirty thousand dollars; 203
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(b) For an additional fourth or fifth year of service, up to an additional twenty thousand dollars. 205
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(3) The individual agrees to pay the chancellor an amount established by rules adopted under section 3333.137 of the Revised Code if the individual fails to complete the service obligation agreed to under division (B) (1) of this section. 207
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(C) The contract shall include the following terms as agreed upon by the parties: 211
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(1) The individual's required length of service in the underserved community, which must be at least three years with an optional fourth year and optional fifth year; 213
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(2) (a) In the case of an attorney employed by the state public defender, the prosecuting attorney of a county, a county public defender commission, or a joint county public defender commission, the number of weekly hours the individual will be engaged in practice in the underserved community; 216
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(b) In the case of private counsel appointed by the court 221
or selected by an indigent person pursuant to Chapter 120. of 222
the Revised Code, the number of hours over the service year the 223
individual will be engaged in practice in the underserved 224
community. 225

(3) The maximum amount that the chancellor will repay on 226
behalf of the individual. 227

(D) If the amount specified in division (C) (3) of this 228
section includes federal funds, the amount of state funds repaid 229
on the individual's behalf shall be the same as the amount of 230
those federal funds. 231

Sec. 3333.136. The chancellor of higher education may 232
accept gifts of money from any source for the implementation and 233
administration of sections 3333.13 to 3333.137 of the Revised 234
Code. The chancellor shall pay all gifts accepted under this 235
section into the state treasury to the credit of the underserved 236
community fund, which is hereby created. 237

The chancellor shall pay all damages collected under 238
division (B) (3) of section 3333.135 of the Revised Code into the 239
state treasury to the credit of the rural practice incentive 240
fund, which is hereby created. 241

The chancellor shall use the underserved community fund 242
and the rural practice incentive fund for the implementation and 243
administration of sections 3333.13 to 3333.137 of the Revised 244
Code. 245

Sec. 3333.137. The chancellor of higher education, in 246
accordance with section 111.15 of the Revised Code, shall adopt 247
rules as necessary to implement and administer sections 3333.13 248
to 3333.136 of the Revised Code. Notwithstanding any provision 249

of section 121.95 of the Revised Code to the contrary, a 250
regulatory restriction contained in a rule adopted under this 251
section is not subject to sections 121.95 to 121.953 of the 252
Revised Code. 253

Sec. 5747.01. Except as otherwise expressly provided or 254
clearly appearing from the context, any term used in this 255
chapter that is not otherwise defined in this section has the 256
same meaning as when used in a comparable context in the laws of 257
the United States relating to federal income taxes or if not 258
used in a comparable context in those laws, has the same meaning 259
as in section 5733.40 of the Revised Code. Any reference in this 260
chapter to the Internal Revenue Code includes other laws of the 261
United States relating to federal income taxes. 262

As used in this chapter: 263

(A) "Adjusted gross income" or "Ohio adjusted gross 264
income" means federal adjusted gross income, as defined and used 265
in the Internal Revenue Code, adjusted as provided in this 266
section: 267

(1) Add interest or dividends on obligations or securities 268
of any state or of any political subdivision or authority of any 269
state, other than this state and its subdivisions and 270
authorities. 271

(2) Add interest or dividends on obligations of any 272
authority, commission, instrumentality, territory, or possession 273
of the United States to the extent that the interest or 274
dividends are exempt from federal income taxes but not from 275
state income taxes. 276

(3) Deduct interest or dividends on obligations of the 277
United States and its territories and possessions or of any 278

authority, commission, or instrumentality of the United States	279
to the extent that the interest or dividends are included in	280
federal adjusted gross income but exempt from state income taxes	281
under the laws of the United States.	282
(4) Deduct disability and survivor's benefits to the	283
extent included in federal adjusted gross income.	284
(5) Deduct the following, to the extent not otherwise	285
deducted or excluded in computing federal or Ohio adjusted gross	286
income:	287
(a) Benefits under Title II of the Social Security Act and	288
tier 1 railroad retirement;	289
(b) Railroad retirement benefits, other than tier 1	290
railroad retirement benefits, to the extent such amounts are	291
exempt from state taxation under federal law.	292
(6) Deduct the amount of wages and salaries, if any, not	293
otherwise allowable as a deduction but that would have been	294
allowable as a deduction in computing federal adjusted gross	295
income for the taxable year, had the work opportunity tax credit	296
allowed and determined under sections 38, 51, and 52 of the	297
Internal Revenue Code not been in effect.	298
(7) Deduct any interest or interest equivalent on public	299
obligations and purchase obligations to the extent that the	300
interest or interest equivalent is included in federal adjusted	301
gross income.	302
(8) Add any loss or deduct any gain resulting from the	303
sale, exchange, or other disposition of public obligations to	304
the extent that the loss has been deducted or the gain has been	305
included in computing federal adjusted gross income.	306

(9) Deduct or add amounts, as provided under section 307
5747.70 of the Revised Code, related to contributions to 308
variable college savings program accounts made or tuition units 309
purchased pursuant to Chapter 3334. of the Revised Code. 310

(10) (a) Deduct, to the extent not otherwise allowable as a 311
deduction or exclusion in computing federal or Ohio adjusted 312
gross income for the taxable year, the amount the taxpayer paid 313
during the taxable year for medical care insurance and qualified 314
long-term care insurance for the taxpayer, the taxpayer's 315
spouse, and dependents. No deduction for medical care insurance 316
under division (A) (10) (a) of this section shall be allowed 317
either to any taxpayer who is eligible to participate in any 318
subsidized health plan maintained by any employer of the 319
taxpayer or of the taxpayer's spouse, or to any taxpayer who is 320
entitled to, or on application would be entitled to, benefits 321
under part A of Title XVIII of the "Social Security Act," 49 322
Stat. 620 (1935), 42 U.S.C. 301, as amended. For the purposes of 323
division (A) (10) (a) of this section, "subsidized health plan" 324
means a health plan for which the employer pays any portion of 325
the plan's cost. The deduction allowed under division (A) (10) (a) 326
of this section shall be the net of any related premium refunds, 327
related premium reimbursements, or related insurance premium 328
dividends received during the taxable year. 329

(b) Deduct, to the extent not otherwise deducted or 330
excluded in computing federal or Ohio adjusted gross income 331
during the taxable year, the amount the taxpayer paid during the 332
taxable year, not compensated for by any insurance or otherwise, 333
for medical care of the taxpayer, the taxpayer's spouse, and 334
dependents, to the extent the expenses exceed seven and one-half 335
per cent of the taxpayer's federal adjusted gross income. 336

(c) For purposes of division (A)(10) of this section, 337
"medical care" has the meaning given in section 213 of the 338
Internal Revenue Code, subject to the special rules, 339
limitations, and exclusions set forth therein, and "qualified 340
long-term care" has the same meaning given in section 7702B(c) 341
of the Internal Revenue Code. Solely for purposes of division 342
(A)(10)(a) of this section, "dependent" includes a person who 343
otherwise would be a "qualifying relative" and thus a 344
"dependent" under section 152 of the Internal Revenue Code but 345
for the fact that the person fails to meet the income and 346
support limitations under section 152(d)(1)(B) and (C) of the 347
Internal Revenue Code. 348

(11)(a) Deduct any amount included in federal adjusted 349
gross income solely because the amount represents a 350
reimbursement or refund of expenses that in any year the 351
taxpayer had deducted as an itemized deduction pursuant to 352
section 63 of the Internal Revenue Code and applicable United 353
States department of the treasury regulations. The deduction 354
otherwise allowed under division (A)(11)(a) of this section 355
shall be reduced to the extent the reimbursement is attributable 356
to an amount the taxpayer deducted under this section in any 357
taxable year. 358

(b) Add any amount not otherwise included in Ohio adjusted 359
gross income for any taxable year to the extent that the amount 360
is attributable to the recovery during the taxable year of any 361
amount deducted or excluded in computing federal or Ohio 362
adjusted gross income in any taxable year. 363

(12) Deduct any portion of the deduction described in 364
section 1341(a)(2) of the Internal Revenue Code, for repaying 365
previously reported income received under a claim of right, that 366

meets both of the following requirements: 367

(a) It is allowable for repayment of an item that was 368
included in the taxpayer's adjusted gross income for a prior 369
taxable year and did not qualify for a credit under division (A) 370
or (B) of section 5747.05 of the Revised Code for that year; 371

(b) It does not otherwise reduce the taxpayer's adjusted 372
gross income for the current or any other taxable year. 373

(13) Deduct an amount equal to the deposits made to, and 374
net investment earnings of, a medical savings account during the 375
taxable year, in accordance with section 3924.66 of the Revised 376
Code. The deduction allowed by division (A) (13) of this section 377
does not apply to medical savings account deposits and earnings 378
otherwise deducted or excluded for the current or any other 379
taxable year from the taxpayer's federal adjusted gross income. 380

(14) (a) Add an amount equal to the funds withdrawn from a 381
medical savings account during the taxable year, and the net 382
investment earnings on those funds, when the funds withdrawn 383
were used for any purpose other than to reimburse an account 384
holder for, or to pay, eligible medical expenses, in accordance 385
with section 3924.66 of the Revised Code; 386

(b) Add the amounts distributed from a medical savings 387
account under division (A) (2) of section 3924.68 of the Revised 388
Code during the taxable year. 389

(15) Add any amount claimed as a credit under section 390
5747.059 of the Revised Code to the extent that such amount 391
satisfies either of the following: 392

(a) The amount was deducted or excluded from the 393
computation of the taxpayer's federal adjusted gross income as 394
required to be reported for the taxpayer's taxable year under 395

the Internal Revenue Code; 396

(b) The amount resulted in a reduction of the taxpayer's 397
federal adjusted gross income as required to be reported for any 398
of the taxpayer's taxable years under the Internal Revenue Code. 399

(16) Deduct the amount contributed by the taxpayer to an 400
individual development account program established by a county 401
department of job and family services pursuant to sections 402
329.11 to 329.14 of the Revised Code for the purpose of matching 403
funds deposited by program participants. On request of the tax 404
commissioner, the taxpayer shall provide any information that, 405
in the tax commissioner's opinion, is necessary to establish the 406
amount deducted under division (A)(16) of this section. 407

(17) (a) (i) Subject to divisions (A)(17)(a)(iii), (iv), and 408
(v) of this section, add five-sixths of the amount of 409
depreciation expense allowed by subsection (k) of section 168 of 410
the Internal Revenue Code, including the taxpayer's 411
proportionate or distributive share of the amount of 412
depreciation expense allowed by that subsection to a pass- 413
through entity in which the taxpayer has a direct or indirect 414
ownership interest. 415

(ii) Subject to divisions (A)(17)(a)(iii), (iv), and (v) 416
of this section, add five-sixths of the amount of qualifying 417
section 179 depreciation expense, including the taxpayer's 418
proportionate or distributive share of the amount of qualifying 419
section 179 depreciation expense allowed to any pass-through 420
entity in which the taxpayer has a direct or indirect ownership 421
interest. 422

(iii) Subject to division (A)(17)(a)(v) of this section, 423
for taxable years beginning in 2012 or thereafter, if the 424

increase in income taxes withheld by the taxpayer is equal to or 425
greater than ten per cent of income taxes withheld by the 426
taxpayer during the taxpayer's immediately preceding taxable 427
year, "two-thirds" shall be substituted for "five-sixths" for 428
the purpose of divisions (A) (17) (a) (i) and (ii) of this section. 429

(iv) Subject to division (A) (17) (a) (v) of this section, 430
for taxable years beginning in 2012 or thereafter, a taxpayer is 431
not required to add an amount under division (A) (17) of this 432
section if the increase in income taxes withheld by the taxpayer 433
and by any pass-through entity in which the taxpayer has a 434
direct or indirect ownership interest is equal to or greater 435
than the sum of (I) the amount of qualifying section 179 436
depreciation expense and (II) the amount of depreciation expense 437
allowed to the taxpayer by subsection (k) of section 168 of the 438
Internal Revenue Code, and including the taxpayer's 439
proportionate or distributive shares of such amounts allowed to 440
any such pass-through entities. 441

(v) If a taxpayer directly or indirectly incurs a net 442
operating loss for the taxable year for federal income tax 443
purposes, to the extent such loss resulted from depreciation 444
expense allowed by subsection (k) of section 168 of the Internal 445
Revenue Code and by qualifying section 179 depreciation expense, 446
"the entire" shall be substituted for "five-sixths of the" for 447
the purpose of divisions (A) (17) (a) (i) and (ii) of this section. 448

The tax commissioner, under procedures established by the 449
commissioner, may waive the add-backs related to a pass-through 450
entity if the taxpayer owns, directly or indirectly, less than 451
five per cent of the pass-through entity. 452

(b) Nothing in division (A) (17) of this section shall be 453
construed to adjust or modify the adjusted basis of any asset. 454

(c) To the extent the add-back required under division (A) 455
(17) (a) of this section is attributable to property generating 456
nonbusiness income or loss allocated under section 5747.20 of 457
the Revised Code, the add-back shall be situated to the same 458
location as the nonbusiness income or loss generated by the 459
property for the purpose of determining the credit under 460
division (A) of section 5747.05 of the Revised Code. Otherwise, 461
the add-back shall be apportioned, subject to one or more of the 462
four alternative methods of apportionment enumerated in section 463
5747.21 of the Revised Code. 464

(d) For the purposes of division (A) (17) (a) (v) of this 465
section, net operating loss carryback and carryforward shall not 466
include the allowance of any net operating loss deduction 467
carryback or carryforward to the taxable year to the extent such 468
loss resulted from depreciation allowed by section 168(k) of the 469
Internal Revenue Code and by the qualifying section 179 470
depreciation expense amount. 471

(e) For the purposes of divisions (A) (17) and (18) of this 472
section: 473

(i) "Income taxes withheld" means the total amount 474
withheld and remitted under sections 5747.06 and 5747.07 of the 475
Revised Code by an employer during the employer's taxable year. 476

(ii) "Increase in income taxes withheld" means the amount 477
by which the amount of income taxes withheld by an employer 478
during the employer's current taxable year exceeds the amount of 479
income taxes withheld by that employer during the employer's 480
immediately preceding taxable year. 481

(iii) "Qualifying section 179 depreciation expense" means 482
the difference between (I) the amount of depreciation expense 483

directly or indirectly allowed to a taxpayer under section 179 484
of the Internal Revised Code, and (II) the amount of 485
depreciation expense directly or indirectly allowed to the 486
taxpayer under section 179 of the Internal Revenue Code as that 487
section existed on December 31, 2002. 488

(18) (a) If the taxpayer was required to add an amount 489
under division (A) (17) (a) of this section for a taxable year, 490
deduct one of the following: 491

(i) One-fifth of the amount so added for each of the five 492
succeeding taxable years if the amount so added was five-sixths 493
of qualifying section 179 depreciation expense or depreciation 494
expense allowed by subsection (k) of section 168 of the Internal 495
Revenue Code; 496

(ii) One-half of the amount so added for each of the two 497
succeeding taxable years if the amount so added was two-thirds 498
of such depreciation expense; 499

(iii) One-sixth of the amount so added for each of the six 500
succeeding taxable years if the entire amount of such 501
depreciation expense was so added. 502

(b) If the amount deducted under division (A) (18) (a) of 503
this section is attributable to an add-back allocated under 504
division (A) (17) (c) of this section, the amount deducted shall 505
be situated to the same location. Otherwise, the add-back shall 506
be apportioned using the apportionment factors for the taxable 507
year in which the deduction is taken, subject to one or more of 508
the four alternative methods of apportionment enumerated in 509
section 5747.21 of the Revised Code. 510

(c) No deduction is available under division (A) (18) (a) of 511
this section with regard to any depreciation allowed by section 512

168(k) of the Internal Revenue Code and by the qualifying 513
section 179 depreciation expense amount to the extent that such 514
depreciation results in or increases a federal net operating 515
loss carryback or carryforward. If no such deduction is 516
available for a taxable year, the taxpayer may carry forward the 517
amount not deducted in such taxable year to the next taxable 518
year and add that amount to any deduction otherwise available 519
under division (A) (18) (a) of this section for that next taxable 520
year. The carryforward of amounts not so deducted shall continue 521
until the entire addition required by division (A) (17) (a) of 522
this section has been deducted. 523

(19) Deduct, to the extent not otherwise deducted or 524
excluded in computing federal or Ohio adjusted gross income for 525
the taxable year, the amount the taxpayer received during the 526
taxable year as reimbursement for life insurance premiums under 527
section 5919.31 of the Revised Code. 528

(20) Deduct, to the extent not otherwise deducted or 529
excluded in computing federal or Ohio adjusted gross income for 530
the taxable year, the amount the taxpayer received during the 531
taxable year as a death benefit paid by the adjutant general 532
under section 5919.33 of the Revised Code. 533

(21) Deduct, to the extent included in federal adjusted 534
gross income and not otherwise allowable as a deduction or 535
exclusion in computing federal or Ohio adjusted gross income for 536
the taxable year, military pay and allowances received by the 537
taxpayer during the taxable year for active duty service in the 538
United States army, air force, navy, marine corps, or coast 539
guard or reserve components thereof or the national guard. The 540
deduction may not be claimed for military pay and allowances 541
received by the taxpayer while the taxpayer is stationed in this 542

state.	543
(22) Deduct, to the extent not otherwise allowable as a	544
deduction or exclusion in computing federal or Ohio adjusted	545
gross income for the taxable year and not otherwise compensated	546
for by any other source, the amount of qualified organ donation	547
expenses incurred by the taxpayer during the taxable year, not	548
to exceed ten thousand dollars. A taxpayer may deduct qualified	549
organ donation expenses only once for all taxable years	550
beginning with taxable years beginning in 2007.	551
For the purposes of division (A) (22) of this section:	552
(a) "Human organ" means all or any portion of a human	553
liver, pancreas, kidney, intestine, or lung, and any portion of	554
human bone marrow.	555
(b) "Qualified organ donation expenses" means travel	556
expenses, lodging expenses, and wages and salary forgone by a	557
taxpayer in connection with the taxpayer's donation, while	558
living, of one or more of the taxpayer's human organs to another	559
human being.	560
(23) Deduct, to the extent not otherwise deducted or	561
excluded in computing federal or Ohio adjusted gross income for	562
the taxable year, amounts received by the taxpayer as retired	563
personnel pay for service in the uniformed services or reserve	564
components thereof, or the national guard, or received by the	565
surviving spouse or former spouse of such a taxpayer under the	566
survivor benefit plan on account of such a taxpayer's death. If	567
the taxpayer receives income on account of retirement paid under	568
the federal civil service retirement system or federal employees	569
retirement system, or under any successor retirement program	570
enacted by the congress of the United States that is established	571

and maintained for retired employees of the United States 572
government, and such retirement income is based, in whole or in 573
part, on credit for the taxpayer's uniformed service, the 574
deduction allowed under this division shall include only that 575
portion of such retirement income that is attributable to the 576
taxpayer's uniformed service, to the extent that portion of such 577
retirement income is otherwise included in federal adjusted 578
gross income and is not otherwise deducted under this section. 579
Any amount deducted under division (A) (23) of this section is 580
not included in a taxpayer's adjusted gross income for the 581
purposes of section 5747.055 of the Revised Code. No amount may 582
be deducted under division (A) (23) of this section on the basis 583
of which a credit was claimed under section 5747.055 of the 584
Revised Code. 585

(24) Deduct, to the extent not otherwise deducted or 586
excluded in computing federal or Ohio adjusted gross income for 587
the taxable year, the amount the taxpayer received during the 588
taxable year from the military injury relief fund created in 589
section 5902.05 of the Revised Code. 590

(25) Deduct, to the extent not otherwise deducted or 591
excluded in computing federal or Ohio adjusted gross income for 592
the taxable year, the amount the taxpayer received as a veterans 593
bonus during the taxable year from the Ohio department of 594
veterans services as authorized by Section 2r of Article VIII, 595
Ohio Constitution. 596

(26) Deduct, to the extent not otherwise deducted or 597
excluded in computing federal or Ohio adjusted gross income for 598
the taxable year, any income derived from a transfer agreement 599
or from the enterprise transferred under that agreement under 600
section 4313.02 of the Revised Code. 601

(27) Deduct, to the extent not otherwise deducted or 602
excluded in computing federal or Ohio adjusted gross income for 603
the taxable year, Ohio college opportunity or federal Pell grant 604
amounts received by the taxpayer or the taxpayer's spouse or 605
dependent pursuant to section 3333.122 of the Revised Code or 20 606
U.S.C. 1070a, et seq., and used to pay room or board furnished 607
by the educational institution for which the grant was awarded 608
at the institution's facilities, including meal plans 609
administered by the institution. For the purposes of this 610
division, receipt of a grant includes the distribution of a 611
grant directly to an educational institution and the crediting 612
of the grant to the enrollee's account with the institution. 613

(28) Deduct from the portion of an individual's federal 614
adjusted gross income that is business income, to the extent not 615
otherwise deducted or excluded in computing federal adjusted 616
gross income for the taxable year, one hundred twenty-five 617
thousand dollars for each spouse if spouses file separate 618
returns under section 5747.08 of the Revised Code or two hundred 619
fifty thousand dollars for all other individuals. 620

(29) Deduct, as provided under section 5747.78 of the 621
Revised Code, contributions to ABLE savings accounts made in 622
accordance with sections 113.50 to 113.56 of the Revised Code. 623

(30) (a) Deduct, to the extent not otherwise deducted or 624
excluded in computing federal or Ohio adjusted gross income 625
during the taxable year, all of the following: 626

(i) Compensation paid to a qualifying employee described 627
in division (A) (14) (a) of section 5703.94 of the Revised Code to 628
the extent such compensation is for disaster work conducted in 629
this state during a disaster response period pursuant to a 630
qualifying solicitation received by the employee's employer; 631

(ii) Compensation paid to a qualifying employee described 632
in division (A) (14) (b) of section 5703.94 of the Revised Code to 633
the extent such compensation is for disaster work conducted in 634
this state by the employee during the disaster response period 635
on critical infrastructure owned or used by the employee's 636
employer; 637

(iii) Income received by an out-of-state disaster business 638
for disaster work conducted in this state during a disaster 639
response period, or, if the out-of-state disaster business is a 640
pass-through entity, a taxpayer's distributive share of the 641
pass-through entity's income from the business conducting 642
disaster work in this state during a disaster response period, 643
if, in either case, the disaster work is conducted pursuant to a 644
qualifying solicitation received by the business. 645

(b) All terms used in division (A) (30) of this section 646
have the same meanings as in section 5703.94 of the Revised 647
Code. 648

(31) For a taxpayer who is a qualifying Ohio educator, 649
deduct, to the extent not otherwise deducted or excluded in 650
computing federal or Ohio adjusted gross income for the taxable 651
year, the lesser of two hundred fifty dollars or the amount of 652
expenses described in subsections (a) (2) (D) (i) and (ii) of 653
section 62 of the Internal Revenue Code paid or incurred by the 654
taxpayer during the taxpayer's taxable year in excess of the 655
amount the taxpayer is authorized to deduct for that taxable 656
year under subsection (a) (2) (D) of that section. 657

(32) Deduct, to the extent not otherwise deducted or 658
excluded in computing federal or Ohio adjusted gross income for 659
the taxable year, amounts received by the taxpayer as a 660
disability severance payment, computed under 10 U.S.C. 1212, 661

following discharge or release under honorable conditions from 662
the armed forces, as defined by 10 U.S.C. 101. 663

(33) Deduct, to the extent not otherwise deducted or 664
excluded in computing federal adjusted gross income or Ohio 665
adjusted gross income, amounts not subject to tax due to an 666
agreement entered into under division (A) (2) of section 5747.05 667
of the Revised Code. 668

(34) Deduct amounts as provided under section 5747.79 of 669
the Revised Code related to the taxpayer's qualifying capital 670
gains and deductible payroll. 671

To the extent a qualifying capital gain described under 672
division (A) (34) of this section is business income, the 673
taxpayer shall deduct those gains under this division before 674
deducting any such gains under division (A) (28) of this section. 675

(35) (a) For taxable years beginning in or after 2026, 676
deduct, to the extent not otherwise deducted or excluded in 677
computing federal or Ohio adjusted gross income for the taxable 678
year: 679

(i) One hundred per cent of the capital gain received by 680
the taxpayer in the taxable year from a qualifying interest in 681
an Ohio venture capital operating company attributable to the 682
company's investments in Ohio businesses during the period for 683
which the company was an Ohio venture operating company; and 684

(ii) Fifty per cent of the capital gain received by the 685
taxpayer in the taxable year from a qualifying interest in an 686
Ohio venture capital operating company attributable to the 687
company's investments in all other businesses during the period 688
for which the company was an Ohio venture operating company. 689

(b) Add amounts previously deducted by the taxpayer under 690

division (A) (35) (a) of this section if the director of 691
development certifies to the tax commissioner that the 692
requirements for the deduction were not met. 693

(c) All terms used in division (A) (35) of this section 694
have the same meanings as in section 122.851 of the Revised 695
Code. 696

(d) To the extent a capital gain described in division (A) 697
(35) (a) of this section is business income, the taxpayer shall 698
apply that division before applying division (A) (28) of this 699
section. 700

(36) Add, to the extent not otherwise included in 701
computing federal or Ohio adjusted gross income for any taxable 702
year, the taxpayer's proportionate share of the amount of the 703
tax levied under section 5747.38 of the Revised Code and paid by 704
an electing pass-through entity for the taxable year. 705

(37) Deduct, to the extent included in federal adjusted 706
gross income, income attributable to loan repayments on behalf 707
of the taxpayer under the rural practice incentive program under 708
section 3333.135 of the Revised Code. 709

(B) "Business income" means income, including gain or 710
loss, arising from transactions, activities, and sources in the 711
regular course of a trade or business and includes income, gain, 712
or loss from real property, tangible property, and intangible 713
property if the acquisition, rental, management, and disposition 714
of the property constitute integral parts of the regular course 715
of a trade or business operation. "Business income" includes 716
income, including gain or loss, from a partial or complete 717
liquidation of a business, including, but not limited to, gain 718
or loss from the sale or other disposition of goodwill or the 719

sale of an equity or ownership interest in a business.	720
As used in this division, the "sale of an equity or	721
ownership interest in a business" means sales to which either or	722
both of the following apply:	723
(1) The sale is treated for federal income tax purposes as	724
the sale of assets.	725
(2) The seller materially participated, as described in 26	726
C.F.R. 1.469-5T, in the activities of the business during the	727
taxable year in which the sale occurs or during any of the five	728
preceding taxable years.	729
(C) "Nonbusiness income" means all income other than	730
business income and may include, but is not limited to,	731
compensation, rents and royalties from real or tangible personal	732
property, capital gains, interest, dividends and distributions,	733
patent or copyright royalties, or lottery winnings, prizes, and	734
awards.	735
(D) "Compensation" means any form of remuneration paid to	736
an employee for personal services.	737
(E) "Fiduciary" means a guardian, trustee, executor,	738
administrator, receiver, conservator, or any other person acting	739
in any fiduciary capacity for any individual, trust, or estate.	740
(F) "Fiscal year" means an accounting period of twelve	741
months ending on the last day of any month other than December.	742
(G) "Individual" means any natural person.	743
(H) "Internal Revenue Code" means the "Internal Revenue	744
Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended.	745
(I) "Resident" means any of the following:	746

(1) An individual who is domiciled in this state, subject	747
to section 5747.24 of the Revised Code;	748
(2) The estate of a decedent who at the time of death was	749
domiciled in this state. The domicile tests of section 5747.24	750
of the Revised Code are not controlling for purposes of division	751
(I) (2) of this section.	752
(3) A trust that, in whole or part, resides in this state.	753
If only part of a trust resides in this state, the trust is a	754
resident only with respect to that part.	755
For the purposes of division (I) (3) of this section:	756
(a) A trust resides in this state for the trust's current	757
taxable year to the extent, as described in division (I) (3) (d)	758
of this section, that the trust consists directly or indirectly,	759
in whole or in part, of assets, net of any related liabilities,	760
that were transferred, or caused to be transferred, directly or	761
indirectly, to the trust by any of the following:	762
(i) A person, a court, or a governmental entity or	763
instrumentality on account of the death of a decedent, but only	764
if the trust is described in division (I) (3) (e) (i) or (ii) of	765
this section;	766
(ii) A person who was domiciled in this state for the	767
purposes of this chapter when the person directly or indirectly	768
transferred assets to an irrevocable trust, but only if at least	769
one of the trust's qualifying beneficiaries is domiciled in this	770
state for the purposes of this chapter during all or some	771
portion of the trust's current taxable year;	772
(iii) A person who was domiciled in this state for the	773
purposes of this chapter when the trust document or instrument	774
or part of the trust document or instrument became irrevocable,	775

but only if at least one of the trust's qualifying beneficiaries 776
is a resident domiciled in this state for the purposes of this 777
chapter during all or some portion of the trust's current 778
taxable year. If a trust document or instrument became 779
irrevocable upon the death of a person who at the time of death 780
was domiciled in this state for purposes of this chapter, that 781
person is a person described in division (I) (3) (a) (iii) of this 782
section. 783

(b) A trust is irrevocable to the extent that the 784
transferor is not considered to be the owner of the net assets 785
of the trust under sections 671 to 678 of the Internal Revenue 786
Code. 787

(c) With respect to a trust other than a charitable lead 788
trust, "qualifying beneficiary" has the same meaning as 789
"potential current beneficiary" as defined in section 1361(e) (2) 790
of the Internal Revenue Code, and with respect to a charitable 791
lead trust "qualifying beneficiary" is any current, future, or 792
contingent beneficiary, but with respect to any trust 793
"qualifying beneficiary" excludes a person or a governmental 794
entity or instrumentality to any of which a contribution would 795
qualify for the charitable deduction under section 170 of the 796
Internal Revenue Code. 797

(d) For the purposes of division (I) (3) (a) of this 798
section, the extent to which a trust consists directly or 799
indirectly, in whole or in part, of assets, net of any related 800
liabilities, that were transferred directly or indirectly, in 801
whole or part, to the trust by any of the sources enumerated in 802
that division shall be ascertained by multiplying the fair 803
market value of the trust's assets, net of related liabilities, 804
by the qualifying ratio, which shall be computed as follows: 805

(i) The first time the trust receives assets, the 806
numerator of the qualifying ratio is the fair market value of 807
those assets at that time, net of any related liabilities, from 808
sources enumerated in division (I) (3) (a) of this section. The 809
denominator of the qualifying ratio is the fair market value of 810
all the trust's assets at that time, net of any related 811
liabilities. 812

(ii) Each subsequent time the trust receives assets, a 813
revised qualifying ratio shall be computed. The numerator of the 814
revised qualifying ratio is the sum of (1) the fair market value 815
of the trust's assets immediately prior to the subsequent 816
transfer, net of any related liabilities, multiplied by the 817
qualifying ratio last computed without regard to the subsequent 818
transfer, and (2) the fair market value of the subsequently 819
transferred assets at the time transferred, net of any related 820
liabilities, from sources enumerated in division (I) (3) (a) of 821
this section. The denominator of the revised qualifying ratio is 822
the fair market value of all the trust's assets immediately 823
after the subsequent transfer, net of any related liabilities. 824

(iii) Whether a transfer to the trust is by or from any of 825
the sources enumerated in division (I) (3) (a) of this section 826
shall be ascertained without regard to the domicile of the 827
trust's beneficiaries. 828

(e) For the purposes of division (I) (3) (a) (i) of this 829
section: 830

(i) A trust is described in division (I) (3) (e) (i) of this 831
section if the trust is a testamentary trust and the testator of 832
that testamentary trust was domiciled in this state at the time 833
of the testator's death for purposes of the taxes levied under 834
Chapter 5731. of the Revised Code. 835

(ii) A trust is described in division (I) (3) (e) (ii) of 836
this section if the transfer is a qualifying transfer described 837
in any of divisions (I) (3) (f) (i) to (vi) of this section, the 838
trust is an irrevocable inter vivos trust, and at least one of 839
the trust's qualifying beneficiaries is domiciled in this state 840
for purposes of this chapter during all or some portion of the 841
trust's current taxable year. 842

(f) For the purposes of division (I) (3) (e) (ii) of this 843
section, a "qualifying transfer" is a transfer of assets, net of 844
any related liabilities, directly or indirectly to a trust, if 845
the transfer is described in any of the following: 846

(i) The transfer is made to a trust, created by the 847
decedent before the decedent's death and while the decedent was 848
domiciled in this state for the purposes of this chapter, and, 849
prior to the death of the decedent, the trust became irrevocable 850
while the decedent was domiciled in this state for the purposes 851
of this chapter. 852

(ii) The transfer is made to a trust to which the 853
decedent, prior to the decedent's death, had directly or 854
indirectly transferred assets, net of any related liabilities, 855
while the decedent was domiciled in this state for the purposes 856
of this chapter, and prior to the death of the decedent the 857
trust became irrevocable while the decedent was domiciled in 858
this state for the purposes of this chapter. 859

(iii) The transfer is made on account of a contractual 860
relationship existing directly or indirectly between the 861
transferor and either the decedent or the estate of the decedent 862
at any time prior to the date of the decedent's death, and the 863
decedent was domiciled in this state at the time of death for 864
purposes of the taxes levied under Chapter 5731. of the Revised 865

Code. 866

(iv) The transfer is made to a trust on account of a 867
contractual relationship existing directly or indirectly between 868
the transferor and another person who at the time of the 869
decedent's death was domiciled in this state for purposes of 870
this chapter. 871

(v) The transfer is made to a trust on account of the will 872
of a testator who was domiciled in this state at the time of the 873
testator's death for purposes of the taxes levied under Chapter 874
5731. of the Revised Code. 875

(vi) The transfer is made to a trust created by or caused 876
to be created by a court, and the trust was directly or 877
indirectly created in connection with or as a result of the 878
death of an individual who, for purposes of the taxes levied 879
under Chapter 5731. of the Revised Code, was domiciled in this 880
state at the time of the individual's death. 881

(g) The tax commissioner may adopt rules to ascertain the 882
part of a trust residing in this state. 883

(J) "Nonresident" means an individual or estate that is 884
not a resident. An individual who is a resident for only part of 885
a taxable year is a nonresident for the remainder of that 886
taxable year. 887

(K) "Pass-through entity" has the same meaning as in 888
section 5733.04 of the Revised Code. 889

(L) "Return" means the notifications and reports required 890
to be filed pursuant to this chapter for the purpose of 891
reporting the tax due and includes declarations of estimated tax 892
when so required. 893

(M) "Taxable year" means the calendar year or the taxpayer's fiscal year ending during the calendar year, or fractional part thereof, upon which the adjusted gross income is calculated pursuant to this chapter.

(N) "Taxpayer" means any person subject to the tax imposed by section 5747.02 of the Revised Code or any pass-through entity that makes the election under division (D) of section 5747.08 of the Revised Code.

(O) "Dependents" means one of the following:

(1) For taxable years beginning on or after January 1, 2018, and before January 1, 2026, dependents as defined in the Internal Revenue Code;

(2) For all other taxable years, dependents as defined in the Internal Revenue Code and as claimed in the taxpayer's federal income tax return for the taxable year or which the taxpayer would have been permitted to claim had the taxpayer filed a federal income tax return.

(P) "Principal county of employment" means, in the case of a nonresident, the county within the state in which a taxpayer performs services for an employer or, if those services are performed in more than one county, the county in which the major portion of the services are performed.

(Q) As used in sections 5747.50 to 5747.55 of the Revised Code:

(1) "Subdivision" means any county, municipal corporation, park district, or township.

(2) "Essential local government purposes" includes all functions that any subdivision is required by general law to

exercise, including like functions that are exercised under a 922
charter adopted pursuant to the Ohio Constitution. 923

(R) "Overpayment" means any amount already paid that 924
exceeds the figure determined to be the correct amount of the 925
tax. 926

(S) "Taxable income" or "Ohio taxable income" applies only 927
to estates and trusts, and means federal taxable income, as 928
defined and used in the Internal Revenue Code, adjusted as 929
follows: 930

(1) Add interest or dividends, net of ordinary, necessary, 931
and reasonable expenses not deducted in computing federal 932
taxable income, on obligations or securities of any state or of 933
any political subdivision or authority of any state, other than 934
this state and its subdivisions and authorities, but only to the 935
extent that such net amount is not otherwise includible in Ohio 936
taxable income and is described in either division (S)(1)(a) or 937
(b) of this section: 938

(a) The net amount is not attributable to the S portion of 939
an electing small business trust and has not been distributed to 940
beneficiaries for the taxable year; 941

(b) The net amount is attributable to the S portion of an 942
electing small business trust for the taxable year. 943

(2) Add interest or dividends, net of ordinary, necessary, 944
and reasonable expenses not deducted in computing federal 945
taxable income, on obligations of any authority, commission, 946
instrumentality, territory, or possession of the United States 947
to the extent that the interest or dividends are exempt from 948
federal income taxes but not from state income taxes, but only 949
to the extent that such net amount is not otherwise includible 950

in Ohio taxable income and is described in either division (S)	951
(1) (a) or (b) of this section;	952
(3) Add the amount of personal exemption allowed to the	953
estate pursuant to section 642(b) of the Internal Revenue Code;	954
(4) Deduct interest or dividends, net of related expenses	955
deducted in computing federal taxable income, on obligations of	956
the United States and its territories and possessions or of any	957
authority, commission, or instrumentality of the United States	958
to the extent that the interest or dividends are exempt from	959
state taxes under the laws of the United States, but only to the	960
extent that such amount is included in federal taxable income	961
and is described in either division (S) (1) (a) or (b) of this	962
section;	963
(5) Deduct the amount of wages and salaries, if any, not	964
otherwise allowable as a deduction but that would have been	965
allowable as a deduction in computing federal taxable income for	966
the taxable year, had the work opportunity tax credit allowed	967
under sections 38, 51, and 52 of the Internal Revenue Code not	968
been in effect, but only to the extent such amount relates	969
either to income included in federal taxable income for the	970
taxable year or to income of the S portion of an electing small	971
business trust for the taxable year;	972
(6) Deduct any interest or interest equivalent, net of	973
related expenses deducted in computing federal taxable income,	974
on public obligations and purchase obligations, but only to the	975
extent that such net amount relates either to income included in	976
federal taxable income for the taxable year or to income of the	977
S portion of an electing small business trust for the taxable	978
year;	979

(7) Add any loss or deduct any gain resulting from sale, 980
exchange, or other disposition of public obligations to the 981
extent that such loss has been deducted or such gain has been 982
included in computing either federal taxable income or income of 983
the S portion of an electing small business trust for the 984
taxable year; 985

(8) Except in the case of the final return of an estate, 986
add any amount deducted by the taxpayer on both its Ohio estate 987
tax return pursuant to section 5731.14 of the Revised Code, and 988
on its federal income tax return in determining federal taxable 989
income; 990

(9) (a) Deduct any amount included in federal taxable 991
income solely because the amount represents a reimbursement or 992
refund of expenses that in a previous year the decedent had 993
deducted as an itemized deduction pursuant to section 63 of the 994
Internal Revenue Code and applicable treasury regulations. The 995
deduction otherwise allowed under division (S) (9) (a) of this 996
section shall be reduced to the extent the reimbursement is 997
attributable to an amount the taxpayer or decedent deducted 998
under this section in any taxable year. 999

(b) Add any amount not otherwise included in Ohio taxable 1000
income for any taxable year to the extent that the amount is 1001
attributable to the recovery during the taxable year of any 1002
amount deducted or excluded in computing federal or Ohio taxable 1003
income in any taxable year, but only to the extent such amount 1004
has not been distributed to beneficiaries for the taxable year. 1005

(10) Deduct any portion of the deduction described in 1006
section 1341(a) (2) of the Internal Revenue Code, for repaying 1007
previously reported income received under a claim of right, that 1008
meets both of the following requirements: 1009

(a) It is allowable for repayment of an item that was 1010
included in the taxpayer's taxable income or the decedent's 1011
adjusted gross income for a prior taxable year and did not 1012
qualify for a credit under division (A) or (B) of section 1013
5747.05 of the Revised Code for that year. 1014

(b) It does not otherwise reduce the taxpayer's taxable 1015
income or the decedent's adjusted gross income for the current 1016
or any other taxable year. 1017

(11) Add any amount claimed as a credit under section 1018
5747.059 of the Revised Code to the extent that the amount 1019
satisfies either of the following: 1020

(a) The amount was deducted or excluded from the 1021
computation of the taxpayer's federal taxable income as required 1022
to be reported for the taxpayer's taxable year under the 1023
Internal Revenue Code; 1024

(b) The amount resulted in a reduction in the taxpayer's 1025
federal taxable income as required to be reported for any of the 1026
taxpayer's taxable years under the Internal Revenue Code. 1027

(12) Deduct any amount, net of related expenses deducted 1028
in computing federal taxable income, that a trust is required to 1029
report as farm income on its federal income tax return, but only 1030
if the assets of the trust include at least ten acres of land 1031
satisfying the definition of "land devoted exclusively to 1032
agricultural use" under section 5713.30 of the Revised Code, 1033
regardless of whether the land is valued for tax purposes as 1034
such land under sections 5713.30 to 5713.38 of the Revised Code. 1035
If the trust is a pass-through entity investor, section 5747.231 1036
of the Revised Code applies in ascertaining if the trust is 1037
eligible to claim the deduction provided by division (S)(12) of 1038

this section in connection with the pass-through entity's farm income. 1039
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Except for farm income attributable to the S portion of an electing small business trust, the deduction provided by division (S) (12) of this section is allowed only to the extent that the trust has not distributed such farm income. 1041
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(13) Add the net amount of income described in section 641(c) of the Internal Revenue Code to the extent that amount is not included in federal taxable income. 1045
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(14) Add or deduct the amount the taxpayer would be required to add or deduct under division (A) (17) or (18) of this section if the taxpayer's Ohio taxable income were computed in the same manner as an individual's Ohio adjusted gross income is computed under this section. 1048
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(15) Add, to the extent not otherwise included in computing taxable income or Ohio taxable income for any taxable year, the taxpayer's proportionate share of the amount of the tax levied under section 5747.38 of the Revised Code and paid by an electing pass-through entity for the taxable year. 1053
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(T) "School district income" and "school district income tax" have the same meanings as in section 5748.01 of the Revised Code. 1058
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(U) As used in divisions (A) (7), (A) (8), (S) (6), and (S) (7) of this section, "public obligations," "purchase obligations," and "interest or interest equivalent" have the same meanings as in section 5709.76 of the Revised Code. 1061
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(V) "Limited liability company" means any limited liability company formed under Chapter 1705. or 1706. of the Revised Code or under the laws of any other state. 1065
1066
1067

(W) "Pass-through entity investor" means any person who, 1068
during any portion of a taxable year of a pass-through entity, 1069
is a partner, member, shareholder, or equity investor in that 1070
pass-through entity. 1071

(X) "Banking day" has the same meaning as in section 1072
1304.01 of the Revised Code. 1073

(Y) "Month" means a calendar month. 1074

(Z) "Quarter" means the first three months, the second 1075
three months, the third three months, or the last three months 1076
of the taxpayer's taxable year. 1077

(AA) (1) "Modified business income" means the business 1078
income included in a trust's Ohio taxable income after such 1079
taxable income is first reduced by the qualifying trust amount, 1080
if any. 1081

(2) "Qualifying trust amount" of a trust means capital 1082
gains and losses from the sale, exchange, or other disposition 1083
of equity or ownership interests in, or debt obligations of, a 1084
qualifying investee to the extent included in the trust's Ohio 1085
taxable income, but only if the following requirements are 1086
satisfied: 1087

(a) The book value of the qualifying investee's physical 1088
assets in this state and everywhere, as of the last day of the 1089
qualifying investee's fiscal or calendar year ending immediately 1090
prior to the date on which the trust recognizes the gain or 1091
loss, is available to the trust. 1092

(b) The requirements of section 5747.011 of the Revised 1093
Code are satisfied for the trust's taxable year in which the 1094
trust recognizes the gain or loss. 1095

Any gain or loss that is not a qualifying trust amount is 1096
modified business income, qualifying investment income, or 1097
modified nonbusiness income, as the case may be. 1098

(3) "Modified nonbusiness income" means a trust's Ohio 1099
taxable income other than modified business income, other than 1100
the qualifying trust amount, and other than qualifying 1101
investment income, as defined in section 5747.012 of the Revised 1102
Code, to the extent such qualifying investment income is not 1103
otherwise part of modified business income. 1104

(4) "Modified Ohio taxable income" applies only to trusts, 1105
and means the sum of the amounts described in divisions (AA) (4) 1106
(a) to (c) of this section: 1107

(a) The fraction, calculated under section 5747.013, and 1108
applying section 5747.231 of the Revised Code, multiplied by the 1109
sum of the following amounts: 1110

(i) The trust's modified business income; 1111

(ii) The trust's qualifying investment income, as defined 1112
in section 5747.012 of the Revised Code, but only to the extent 1113
the qualifying investment income does not otherwise constitute 1114
modified business income and does not otherwise constitute a 1115
qualifying trust amount. 1116

(b) The qualifying trust amount multiplied by a fraction, 1117
the numerator of which is the sum of the book value of the 1118
qualifying investee's physical assets in this state on the last 1119
day of the qualifying investee's fiscal or calendar year ending 1120
immediately prior to the day on which the trust recognizes the 1121
qualifying trust amount, and the denominator of which is the sum 1122
of the book value of the qualifying investee's total physical 1123
assets everywhere on the last day of the qualifying investee's 1124

fiscal or calendar year ending immediately prior to the day on 1125
which the trust recognizes the qualifying trust amount. If, for 1126
a taxable year, the trust recognizes a qualifying trust amount 1127
with respect to more than one qualifying investee, the amount 1128
described in division (AA) (4) (b) of this section shall equal the 1129
sum of the products so computed for each such qualifying 1130
investee. 1131

(c) (i) With respect to a trust or portion of a trust that 1132
is a resident as ascertained in accordance with division (I) (3) 1133
(d) of this section, its modified nonbusiness income. 1134

(ii) With respect to a trust or portion of a trust that is 1135
not a resident as ascertained in accordance with division (I) (3) 1136
(d) of this section, the amount of its modified nonbusiness 1137
income satisfying the descriptions in divisions (B) (2) to (5) of 1138
section 5747.20 of the Revised Code, except as otherwise 1139
provided in division (AA) (4) (c) (ii) of this section. With 1140
respect to a trust or portion of a trust that is not a resident 1141
as ascertained in accordance with division (I) (3) (d) of this 1142
section, the trust's portion of modified nonbusiness income 1143
recognized from the sale, exchange, or other disposition of a 1144
debt interest in or equity interest in a section 5747.212 1145
entity, as defined in section 5747.212 of the Revised Code, 1146
without regard to division (A) of that section, shall not be 1147
allocated to this state in accordance with section 5747.20 of 1148
the Revised Code but shall be apportioned to this state in 1149
accordance with division (B) of section 5747.212 of the Revised 1150
Code without regard to division (A) of that section. 1151

If the allocation and apportionment of a trust's income 1152
under divisions (AA) (4) (a) and (c) of this section do not fairly 1153
represent the modified Ohio taxable income of the trust in this 1154

state, the alternative methods described in division (C) of 1155
section 5747.21 of the Revised Code may be applied in the manner 1156
and to the same extent provided in that section. 1157

(5) (a) Except as set forth in division (AA) (5) (b) of this 1158
section, "qualifying investee" means a person in which a trust 1159
has an equity or ownership interest, or a person or unit of 1160
government the debt obligations of either of which are owned by 1161
a trust. For the purposes of division (AA) (2) (a) of this section 1162
and for the purpose of computing the fraction described in 1163
division (AA) (4) (b) of this section, all of the following apply: 1164

(i) If the qualifying investee is a member of a qualifying 1165
controlled group on the last day of the qualifying investee's 1166
fiscal or calendar year ending immediately prior to the date on 1167
which the trust recognizes the gain or loss, then "qualifying 1168
investee" includes all persons in the qualifying controlled 1169
group on such last day. 1170

(ii) If the qualifying investee, or if the qualifying 1171
investee and any members of the qualifying controlled group of 1172
which the qualifying investee is a member on the last day of the 1173
qualifying investee's fiscal or calendar year ending immediately 1174
prior to the date on which the trust recognizes the gain or 1175
loss, separately or cumulatively own, directly or indirectly, on 1176
the last day of the qualifying investee's fiscal or calendar 1177
year ending immediately prior to the date on which the trust 1178
recognizes the qualifying trust amount, more than fifty per cent 1179
of the equity of a pass-through entity, then the qualifying 1180
investee and the other members are deemed to own the 1181
proportionate share of the pass-through entity's physical assets 1182
which the pass-through entity directly or indirectly owns on the 1183
last day of the pass-through entity's calendar or fiscal year 1184

ending within or with the last day of the qualifying investee's 1185
fiscal or calendar year ending immediately prior to the date on 1186
which the trust recognizes the qualifying trust amount. 1187

(iii) For the purposes of division (AA)(5)(a)(iii) of this 1188
section, "upper level pass-through entity" means a pass-through 1189
entity directly or indirectly owning any equity of another pass- 1190
through entity, and "lower level pass-through entity" means that 1191
other pass-through entity. 1192

An upper level pass-through entity, whether or not it is 1193
also a qualifying investee, is deemed to own, on the last day of 1194
the upper level pass-through entity's calendar or fiscal year, 1195
the proportionate share of the lower level pass-through entity's 1196
physical assets that the lower level pass-through entity 1197
directly or indirectly owns on the last day of the lower level 1198
pass-through entity's calendar or fiscal year ending within or 1199
with the last day of the upper level pass-through entity's 1200
fiscal or calendar year. If the upper level pass-through entity 1201
directly and indirectly owns less than fifty per cent of the 1202
equity of the lower level pass-through entity on each day of the 1203
upper level pass-through entity's calendar or fiscal year in 1204
which or with which ends the calendar or fiscal year of the 1205
lower level pass-through entity and if, based upon clear and 1206
convincing evidence, complete information about the location and 1207
cost of the physical assets of the lower pass-through entity is 1208
not available to the upper level pass-through entity, then 1209
solely for purposes of ascertaining if a gain or loss 1210
constitutes a qualifying trust amount, the upper level pass- 1211
through entity shall be deemed as owning no equity of the lower 1212
level pass-through entity for each day during the upper level 1213
pass-through entity's calendar or fiscal year in which or with 1214
which ends the lower level pass-through entity's calendar or 1215

fiscal year. Nothing in division (AA) (5) (a) (iii) of this section 1216
shall be construed to provide for any deduction or exclusion in 1217
computing any trust's Ohio taxable income. 1218

(b) With respect to a trust that is not a resident for the 1219
taxable year and with respect to a part of a trust that is not a 1220
resident for the taxable year, "qualifying investee" for that 1221
taxable year does not include a C corporation if both of the 1222
following apply: 1223

(i) During the taxable year the trust or part of the trust 1224
recognizes a gain or loss from the sale, exchange, or other 1225
disposition of equity or ownership interests in, or debt 1226
obligations of, the C corporation. 1227

(ii) Such gain or loss constitutes nonbusiness income. 1228

(6) "Available" means information is such that a person is 1229
able to learn of the information by the due date plus 1230
extensions, if any, for filing the return for the taxable year 1231
in which the trust recognizes the gain or loss. 1232

(BB) "Qualifying controlled group" has the same meaning as 1233
in section 5733.04 of the Revised Code. 1234

(CC) "Related member" has the same meaning as in section 1235
5733.042 of the Revised Code. 1236

(DD) (1) For the purposes of division (DD) of this section: 1237

(a) "Qualifying person" means any person other than a 1238
qualifying corporation. 1239

(b) "Qualifying corporation" means any person classified 1240
for federal income tax purposes as an association taxable as a 1241
corporation, except either of the following: 1242

(i) A corporation that has made an election under	1243
subchapter S, chapter one, subtitle A, of the Internal Revenue	1244
Code for its taxable year ending within, or on the last day of,	1245
the investor's taxable year;	1246
(ii) A subsidiary that is wholly owned by any corporation	1247
that has made an election under subchapter S, chapter one,	1248
subtitle A of the Internal Revenue Code for its taxable year	1249
ending within, or on the last day of, the investor's taxable	1250
year.	1251
(2) For the purposes of this chapter, unless expressly	1252
stated otherwise, no qualifying person indirectly owns any asset	1253
directly or indirectly owned by any qualifying corporation.	1254
(EE) For purposes of this chapter and Chapter 5751. of the	1255
Revised Code:	1256
(1) "Trust" does not include a qualified pre-income tax	1257
trust.	1258
(2) A "qualified pre-income tax trust" is any pre-income	1259
tax trust that makes a qualifying pre-income tax trust election	1260
as described in division (EE) (3) of this section.	1261
(3) A "qualifying pre-income tax trust election" is an	1262
election by a pre-income tax trust to subject to the tax imposed	1263
by section 5751.02 of the Revised Code the pre-income tax trust	1264
and all pass-through entities of which the trust owns or	1265
controls, directly, indirectly, or constructively through	1266
related interests, five per cent or more of the ownership or	1267
equity interests. The trustee shall notify the tax commissioner	1268
in writing of the election on or before April 15, 2006. The	1269
election, if timely made, shall be effective on and after	1270
January 1, 2006, and shall apply for all tax periods and tax	1271

years until revoked by the trustee of the trust. 1272

(4) A "pre-income tax trust" is a trust that satisfies all 1273
of the following requirements: 1274

(a) The document or instrument creating the trust was 1275
executed by the grantor before January 1, 1972; 1276

(b) The trust became irrevocable upon the creation of the 1277
trust; and 1278

(c) The grantor was domiciled in this state at the time 1279
the trust was created. 1280

(FF) "Uniformed services" has the same meaning as in 10 1281
U.S.C. 101. 1282

(GG) "Taxable business income" means the amount by which 1283
an individual's business income that is included in federal 1284
adjusted gross income exceeds the amount of business income the 1285
individual is authorized to deduct under division (A) (28) of 1286
this section for the taxable year. 1287

(HH) "Employer" does not include a franchisor with respect 1288
to the franchisor's relationship with a franchisee or an 1289
employee of a franchisee, unless the franchisor agrees to assume 1290
that role in writing or a court of competent jurisdiction 1291
determines that the franchisor exercises a type or degree of 1292
control over the franchisee or the franchisee's employees that 1293
is not customarily exercised by a franchisor for the purpose of 1294
protecting the franchisor's trademark, brand, or both. For 1295
purposes of this division, "franchisor" and "franchisee" have 1296
the same meanings as in 16 C.F.R. 436.1. 1297

(II) "Modified adjusted gross income" means Ohio adjusted 1298
gross income plus any amount deducted under divisions (A) (28) 1299

and (34) of this section for the taxable year. 1300

(JJ) "Qualifying Ohio educator" means an individual who, 1301
 for a taxable year, qualifies as an eligible educator, as that 1302
 term is defined in section 62 of the Internal Revenue Code, and 1303
 who holds a certificate, license, or permit described in Chapter 1304
 3319. or section 3301.071 of the Revised Code. 1305

Section 2. That existing sections 120.521 and 5747.01 of 1306
 the Revised Code are hereby repealed. 1307

Section 3. All items in this act are hereby appropriated 1308
 as designated out of any moneys in the state treasury to the 1309
 credit of the designated fund. For all operating appropriations 1310
 made in this act, those in the first column are for fiscal year 1311
 2022 and those in the second column are for fiscal year 2023. 1312
 The operating appropriations made in this act are in addition to 1313
 any other operating appropriations made for the FY 2022-FY 2023 1314
 biennium. 1315

Section 4. 1316

1317

	1	2	3	4	5
A	BOR DEPARTMENT OF HIGHER EDUCATION				
B	Dedicated Purpose Fund Group				
C	5ZD0	235426	Rural Practice Incentive Program	\$0	\$1,500,000
D	TOTAL DPF Dedicated Purpose Fund Group			\$0	\$1,500,000
E	TOTAL ALL BUDGET FUND GROUPS			\$0	\$1,500,000

RURAL PRACTICE INCENTIVE PROGRAM	1318
The foregoing appropriation item 235426, Rural Practice Incentive Program, shall be used to provide loan repayments on behalf of certain attorneys as described in section 3333.131 of the Revised Code.	1319 1320 1321 1322
CASH TRANSFER FROM THE GENERAL REVENUE FUND TO THE RURAL PRACTICE INCENTIVE FUND	1323 1324
On the effective date of this section, or as soon as possible thereafter, the Director of Budget and Management shall transfer \$1,500,000 cash from the General Revenue Fund to the Rural Practice Incentive Fund (Fund 5ZD0).	1325 1326 1327 1328
Section 5. Within the limits set forth in this act, the Director of Budget and Management shall establish accounts indicating the source and amount of funds for each appropriation made in this act, and shall determine the form and manner in which appropriation accounts shall be maintained. Expenditures from operating appropriations contained in this act shall be accounted for as though made in H.B. 110 of the 134th General Assembly. The operating appropriations made in this act are subject to all provisions of H.B. 110 of the 134th General Assembly that are generally applicable to such appropriations.	1329 1330 1331 1332 1333 1334 1335 1336 1337 1338
Section 6. (A) There is hereby created a task force to study Ohio's indigent defense system and provide recommendations to the General Assembly regarding the delivery, structure, and funding of indigent defense.	1339 1340 1341 1342
(B) The task force shall consist of the following voting members, appointed not later than ninety days after the effective date of this section:	1343 1344 1345
(1) The State Public Defender;	1346

(2) The Chair of the Ohio Public Defender Commission;	1347
(3) The Governor or the Governor's designee;	1348
(4) The Chief Justice of the Ohio Supreme Court, or the Chief Justice's designee;	1349 1350
(5) One judge appointed by the Ohio Judicial Conference;	1351
(6) One attorney appointed by the Ohio State Bar Association;	1352 1353
(7) One public defender appointed by the Ohio Public Defender Commission;	1354 1355
(8) One attorney who participates in the assigned counsel system, appointed by the Ohio Public Defender Commission;	1356 1357
(9) One prosecuting attorney of a county elected to the office under section 309.01 of the Revised Code, appointed by the Ohio Prosecuting Attorneys Association;	1358 1359 1360
(10) One county commissioner appointed by the president of the County Commissioners' Association of Ohio;	1361 1362
(11) The Attorney General or a designee of the Attorney General;	1363 1364
(12) Six members of the General Assembly, including:	1365
(a) Three members of the Senate, including two from the majority party appointed by the Senate President, and one from the minority party appointed by the Senate Minority Leader;	1366 1367 1368
(b) Three members of the House of Representatives, including two from the majority party appointed by the Speaker of the House of Representatives, and one from the minority party appointed by the House Minority Leader.	1369 1370 1371 1372

(C) The task force shall be co-chaired by one member of 1373
the Senate and one member of the House of Representatives, both 1374
from the majority party and appointed by their respective 1375
leaders. 1376

(D) Not later than one year after the effective date of 1377
this section, the task force shall report its recommendations to 1378
the General Assembly. The Legislative Service Commission shall 1379
assist the task force as needed. 1380

(E) The task force may reimburse the travel expenses of 1381
any experts invited to present to the task force. 1382

(F) The State Public Defender shall use \$10,000 in fiscal 1383
year 2023 from appropriation item 019401, State Legal Defense 1384
Services, for the reimbursement of travel expenses of experts 1385
invited to present to the task force. 1386

Section 7. Section 5747.01 of the Revised Code is 1387
presented in this act as a composite of the section as amended 1388
by both H.B. 515 and S.B. 246 of the 134th General Assembly. The 1389
General Assembly, applying the principle stated in division (B) 1390
of section 1.52 of the Revised Code that amendments are to be 1391
harmonized if reasonably capable of simultaneous operation, 1392
finds that the composite is the resulting version of the section 1393
in effect prior to the effective date of the section as 1394
presented in this act. 1395