

**As Passed by the Senate**

**134th General Assembly**

**Regular Session**

**2021-2022**

**Am. H. B. No. 150**

**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**

**Senators Blessing, Brenner, Cirino, Craig, Dolan, Gavarone, Hicks-Hudson, Hottinger, Johnson, Maharath, Manning, Martin, McColley, Reineke, Rulli, Wilson**

**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

<u>(1) The state public defender;</u>	75
<u>(2) The prosecuting attorney of a county;</u>	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><b>Sec. 3333.131.</b> 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 expenses, for specific purposes and in amounts determined to be reasonable by the chancellor;</u>	105 106 107
<u>(C) Room and board, in an amount determined reasonable by the chancellor.</u>	108 109
<b><u>Sec. 3333.132.</u></b> Each biennium, the chancellor of higher education shall designate by rule any county with a ratio of attorneys to the population in the county equal to or less than one to seven hundred as an underserved community. The Ohio access to justice foundation, pursuant to division (A) of section 120.521 of the Revised Code, shall assist the chancellor by determining the ratio described in this section.	110 111 112 113 114 115 116
<b><u>Sec. 3333.133.</u></b> (A) An individual who meets all of the following requirements may apply for participation in the rural practice incentive program:	117 118 119
<u>(1) The individual is a citizen of the United States, a national of the United States, or a permanent resident of the United States.</u>	120 121 122
<u>(2) The individual either:</u>	123
<u>(a) Is a student enrolled in the final year of law school;</u>	124
<u>or</u>	125
<u>(b) Has been admitted to the practice of law in this state by the Ohio supreme court for less than eight years and remains in good standing.</u>	126 127 128
<u>(3) The individual is not enrolled in any other state or federally funded student loan repayment or debt forgiveness program, including under the public service loan forgiveness</u>	129 130 131

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 134  
incentive program shall be submitted to the chancellor of higher 135  
education on a form that the chancellor shall prescribe. The 136  
individual shall submit the following information with an 137  
application: 138

(1) The individual's name, permanent address or address at 139  
which the individual is currently residing if different from the 140  
permanent address, and telephone number; 141

(2) The law school the individual is attending or 142  
attended, the dates of attendance, and verification of 143  
attendance; 144

(3) The individual's employer, as applicable; 145

(4) A summary and verification of the educational expenses 146  
for which the individual seeks reimbursement under the program; 147

(5) Verification that the individual has been admitted to 148  
the practice of law in this state for less than eight years by 149  
the Ohio supreme court and remains in good standing, unless the 150  
individual is a student; 151

(6) Verification the individual is a citizen of the United 152  
States, a national of the United States, or a permanent resident 153  
of the United States. 154

**Sec. 3333.134.** If funds are available in the rural 155  
practice incentive fund created under section 3333.136 of the 156  
Revised Code and the general assembly has appropriated funds for 157  
the rural practice incentive program, the chancellor of higher 158  
education shall approve an individual for participation in the 159

program, for reimbursement up to fifty thousand dollars, if the 160  
chancellor finds that the individual is eligible for 161  
participation in the program. 162

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

<u>contract.</u>	189
<u>(B) The contract shall include all of the following</u>	190
<u>obligations:</u>	191
<u>(1) The individual agrees to remain employed as a service</u>	192
<u>attorney within the underserved community identified in the</u>	193
<u>letter of intent for the number of hours and duration specified</u>	194
<u>in the contract;</u>	195
<u>(2) The chancellor agrees, as provided in section 3333.131</u>	196
<u>of the Revised Code, to repay, so long as the individual</u>	197
<u>satisfies the service obligation agreed to under division (B) (1)</u>	198
<u>of this section, the following amount of the principal and</u>	199
<u>interest of a government or other educational loan taken by the</u>	200
<u>individual for expenses described in section 3333.131 of the</u>	201
<u>Revised Code:</u>	202
<u>(a) For a three-year service obligation, up to thirty</u>	203
<u>thousand dollars;</u>	204
<u>(b) For an additional fourth or fifth year of service, up</u>	205
<u>to an additional twenty thousand dollars.</u>	206
<u>(3) The individual agrees to pay the chancellor an amount</u>	207
<u>established by rules adopted under section 3333.137 of the</u>	208
<u>Revised Code if the individual fails to complete the service</u>	209
<u>obligation agreed to under division (B) (1) of this section.</u>	210
<u>(C) The contract shall include the following terms as</u>	211
<u>agreed upon by the parties:</u>	212
<u>(1) The individual's required length of service in the</u>	213
<u>underserved community, which must be at least three years with</u>	214
<u>an optional fourth year and optional fifth year;</u>	215
<u>(2) (a) In the case of an attorney employed by the state</u>	216



public defender, the prosecuting attorney of a county, a county 217  
public defender commission, or a joint county public defender 218  
commission, the number of weekly hours the individual will be 219  
engaged in practice in the underserved community; 220

(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 interest. 421  
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 Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended.	744 745
(I) "Resident" means any of the following:	746
(1) An individual who is domiciled in this state, subject to section 5747.24 of the Revised Code;	747 748
(2) The estate of a decedent who at the time of death was domiciled in this state. The domicile tests of section 5747.24 of the Revised Code are not controlling for purposes of division (I) (2) of this section.	749 750 751 752
(3) A trust that, in whole or part, resides in this state. If only part of a trust resides in this state, the trust is a resident only with respect to that part.	753 754 755
For the purposes of division (I) (3) of this section:	756
(a) A trust resides in this state for the trust's current taxable year to the extent, as described in division (I) (3) (d) of this section, that the trust consists directly or indirectly, in whole or in part, of assets, net of any related liabilities, that were transferred, or caused to be transferred, directly or indirectly, to the trust by any of the following:	757 758 759 760 761 762
(i) A person, a court, or a governmental entity or instrumentality on account of the death of a decedent, but only if the trust is described in division (I) (3) (e) (i) or (ii) of this section;	763 764 765 766
(ii) A person who was domiciled in this state for the purposes of this chapter when the person directly or indirectly transferred assets to an irrevocable trust, but only if at least one of the trust's qualifying beneficiaries is domiciled in this	767 768 769 770

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 section if the trust is a testamentary trust and the testator of that testamentary trust was domiciled in this state at the time of the testator's death for purposes of the taxes levied under Chapter 5731. of the Revised Code.

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

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

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

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

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

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

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

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

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

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

(K) "Pass-through entity" has the same meaning as in

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	894
taxpayer's fiscal year ending during the calendar year, or	895
fractional part thereof, upon which the adjusted gross income is	896
calculated pursuant to this chapter.	897
(N) "Taxpayer" means any person subject to the tax imposed	898
by section 5747.02 of the Revised Code or any pass-through	899
entity that makes the election under division (D) of section	900
5747.08 of the Revised Code.	901
(O) "Dependents" means one of the following:	902
(1) For taxable years beginning on or after January 1,	903
2018, and before January 1, 2026, dependents as defined in the	904
Internal Revenue Code;	905
(2) For all other taxable years, dependents as defined in	906
the Internal Revenue Code and as claimed in the taxpayer's	907
federal income tax return for the taxable year or which the	908
taxpayer would have been permitted to claim had the taxpayer	909
filed a federal income tax return.	910
(P) "Principal county of employment" means, in the case of	911
a nonresident, the county within the state in which a taxpayer	912
performs services for an employer or, if those services are	913
performed in more than one county, the county in which the major	914
portion of the services are performed.	915
(Q) As used in sections 5747.50 to 5747.55 of the Revised	916



Code:	917
(1) "Subdivision" means any county, municipal corporation, park district, or township.	918 919
(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 charter adopted pursuant to the Ohio Constitution.	920 921 922 923
(R) "Overpayment" means any amount already paid that exceeds the figure determined to be the correct amount of the tax.	924 925 926
(S) "Taxable income" or "Ohio taxable income" applies only to estates and trusts, and means federal taxable income, as defined and used in the Internal Revenue Code, adjusted as follows:	927 928 929 930
(1) Add interest or dividends, net of ordinary, necessary, and reasonable expenses not deducted in computing federal taxable income, on obligations or securities of any state or of any political subdivision or authority of any state, other than this state and its subdivisions and authorities, but only to the extent that such net amount is not otherwise includible in Ohio taxable income and is described in either division (S) (1) (a) or (b) of this section:	931 932 933 934 935 936 937 938
(a) The net amount is not attributable to the S portion of an electing small business trust and has not been distributed to beneficiaries for the taxable year;	939 940 941
(b) The net amount is attributable to the S portion of an electing small business trust for the taxable year.	942 943
(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 1039  
income. 1040

Except for farm income attributable to the S portion of an 1041  
electing small business trust, the deduction provided by 1042  
division (S) (12) of this section is allowed only to the extent 1043  
that the trust has not distributed such farm income. 1044

(13) Add the net amount of income described in section 1045  
641(c) of the Internal Revenue Code to the extent that amount is 1046  
not included in federal taxable income. 1047

(14) Add or deduct the amount the taxpayer would be 1048  
required to add or deduct under division (A) (17) or (18) of this 1049  
section if the taxpayer's Ohio taxable income were computed in 1050  
the same manner as an individual's Ohio adjusted gross income is 1051  
computed under this section. 1052

(15) Add, to the extent not otherwise included in 1053  
computing taxable income or Ohio taxable income for any taxable 1054  
year, the taxpayer's proportionate share of the amount of the 1055  
tax levied under section 5747.38 of the Revised Code and paid by 1056  
an electing pass-through entity for the taxable year. 1057

(T) "School district income" and "school district income 1058  
tax" have the same meanings as in section 5748.01 of the Revised 1059  
Code. 1060

(U) As used in divisions (A) (7), (A) (8), (S) (6), and (S) 1061  
(7) of this section, "public obligations," "purchase 1062

obligations," and "interest or interest equivalent" have the 1063  
same meanings as in section 5709.76 of the Revised Code. 1064

(V) "Limited liability company" means any limited 1065  
liability company formed under Chapter 1705. or 1706. of the 1066  
Revised Code or under the laws of any other state. 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)  
(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 Code without regard to division (A) of that section.

If the allocation and apportionment of a trust's income under divisions (AA) (4) (a) and (c) of this section do not fairly represent the modified Ohio taxable income of the trust in this state, the alternative methods described in division (C) of section 5747.21 of the Revised Code may be applied in the manner and to the same extent provided in that section.

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

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

(ii) If the qualifying investee, or if the qualifying investee and any members of the qualifying controlled group of which the qualifying investee is a member on the last day of the qualifying investee's fiscal or calendar year ending immediately prior to the date on which the trust recognizes the gain or loss, separately or cumulatively own, directly or indirectly, on the last day of the qualifying investee's fiscal or calendar year ending immediately prior to the date on which the trust recognizes the qualifying trust amount, more than fifty per cent

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 1319  
Incentive Program, shall be used to provide loan repayments on 1320  
behalf of certain attorneys as described in section 3333.131 of 1321  
the Revised Code. 1322

CASH TRANSFER FROM THE GENERAL REVENUE FUND TO THE RURAL 1323  
PRACTICE INCENTIVE FUND 1324

On the effective date of this section, or as soon as 1325  
possible thereafter, the Director of Budget and Management shall 1326  
transfer \$1,500,000 cash from the General Revenue Fund to the 1327  
Rural Practice Incentive Fund (Fund 5ZD0). 1328

**Section 5.** Within the limits set forth in this act, the 1329  
Director of Budget and Management shall establish accounts 1330  
indicating the source and amount of funds for each appropriation 1331  
made in this act, and shall determine the form and manner in 1332  
which appropriation accounts shall be maintained. Expenditures 1333  
from operating appropriations contained in this act shall be 1334  
accounted for as though made in H.B. 110 of the 134th General 1335  
Assembly. The operating appropriations made in this act are 1336  
subject to all provisions of H.B. 110 of the 134th General 1337  
Assembly that are generally applicable to such appropriations. 1338

**Section 6.** (A) There is hereby created a task force to 1339  
study Ohio's indigent defense system and provide recommendations 1340  
to the General Assembly regarding the delivery, structure, and 1341

funding of indigent defense.	1342
(B) The task force shall consist of the following voting	1343
members, appointed not later than ninety days after the	1344
effective date of this section:	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	1349
Chief Justice's designee;	1350
(5) One judge appointed by the Ohio Judicial Conference;	1351
(6) One attorney appointed by the Ohio State Bar	1352
Association;	1353
(7) One public defender appointed by the Ohio Public	1354
Defender Commission;	1355
(8) One attorney who participates in the assigned counsel	1356
system, appointed by the Ohio Public Defender Commission;	1357
(9) One prosecuting attorney of a county elected to the	1358
office under section 309.01 of the Revised Code, appointed by	1359
the Ohio Prosecuting Attorneys Association;	1360
(10) One county commissioner appointed by the president of	1361
the County Commissioners' Association of Ohio;	1362
(11) The Attorney General or a designee of the Attorney	1363
General;	1364
(12) Six members of the General Assembly, including:	1365
(a) Three members of the Senate, including two from the	1366
majority party appointed by the Senate President, and one from	1367



the minority party appointed by the Senate Minority Leader; 1368

(b) Three members of the House of Representatives, 1369  
including two from the majority party appointed by the Speaker 1370  
of the House of Representatives, and one from the minority party 1371  
appointed by the House Minority Leader. 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