

As Introduced

**135th General Assembly
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H. B. No. 654

Representative Click

**Cosponsors: Representatives Dean, Gross, King, Klopfenstein, Lear, Wiggam,
Williams**

A BILL

To amend sections 5747.01 and 5747.025 of the 1
Revised Code to authorize a personal income tax 2
exemption and credit for conceived children and 3
to name this act the Strategic Tax Opportunities 4
for Raising Kids (STORK) Act. 5

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

Section 1. That sections 5747.01 and 5747.025 of the 6
Revised Code be amended to read as follows: 7

Sec. 5747.01. Except as otherwise expressly provided or 8
clearly appearing from the context, any term used in this 9
chapter that is not otherwise defined in this section has the 10
same meaning as when used in a comparable context in the laws of 11
the United States relating to federal income taxes or if not 12
used in a comparable context in those laws, has the same meaning 13
as in section 5733.40 of the Revised Code. Any reference in this 14
chapter to the Internal Revenue Code includes other laws of the 15
United States relating to federal income taxes. 16

As used in this chapter: 17

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

(1) Add interest or dividends 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.

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

(3) Deduct interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent that the interest or dividends are included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.

(4) Deduct disability and survivor's benefits to the extent included in federal adjusted gross income.

(5) Deduct the following, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income:

(a) Benefits under Title II of the Social Security Act and tier 1 railroad retirement;

(b) Railroad retirement benefits, other than tier 1 railroad retirement benefits, to the extent such amounts are exempt from state taxation under federal law.

(6) Deduct the amount of wages and salaries, if any, not otherwise allowable as a deduction but that would have been allowable as a deduction in computing federal adjusted gross income for the taxable year, had the work opportunity tax credit allowed and determined under sections 38, 51, and 52 of the Internal Revenue Code not been in effect.

(7) Deduct any interest or interest equivalent on public obligations and purchase obligations to the extent that the interest or interest equivalent is included in federal adjusted gross income.

(8) Add any loss or deduct any gain resulting from the sale, exchange, or other disposition of public obligations to the extent that the loss has been deducted or the gain has been included in computing federal adjusted gross income.

(9) Deduct or add amounts, as provided under section 5747.70 of the Revised Code, related to contributions made to or tuition units purchased under a qualified tuition program established pursuant to section 529 of the Internal Revenue Code.

(10) (a) Deduct, to the extent not otherwise allowable as a deduction or exclusion in computing federal or Ohio adjusted gross income for the taxable year, the amount the taxpayer paid during the taxable year for medical care insurance and qualified long-term care insurance for the taxpayer, the taxpayer's spouse, and dependents. No deduction for medical care insurance under division (A) (10) (a) of this section shall be allowed either to any taxpayer who is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the taxpayer's spouse, or to any taxpayer who is entitled to, or on application would be entitled to, benefits

under part A of Title XVIII of the "Social Security Act," 49 77
Stat. 620 (1935), 42 U.S.C. 301, as amended. For the purposes of 78
division (A)(10)(a) of this section, "subsidized health plan" 79
means a health plan for which the employer pays any portion of 80
the plan's cost. The deduction allowed under division (A)(10)(a) 81
of this section shall be the net of any related premium refunds, 82
related premium reimbursements, or related insurance premium 83
dividends received during the taxable year. 84

(b) Deduct, to the extent not otherwise deducted or 85
excluded in computing federal or Ohio adjusted gross income 86
during the taxable year, the amount the taxpayer paid during the 87
taxable year, not compensated for by any insurance or otherwise, 88
for medical care of the taxpayer, the taxpayer's spouse, and 89
dependents, to the extent the expenses exceed seven and one-half 90
per cent of the taxpayer's federal adjusted gross income. 91

(c) For purposes of division (A)(10) of this section, 92
"medical care" has the meaning given in section 213 of the 93
Internal Revenue Code, subject to the special rules, 94
limitations, and exclusions set forth therein, and "qualified 95
long-term care" has the same meaning given in section 7702B(c) 96
of the Internal Revenue Code. Solely for purposes of division 97
(A)(10)(a) of this section, "dependent" includes a person who 98
otherwise would be a "qualifying relative" and thus a 99
"dependent" under section 152 of the Internal Revenue Code but 100
for the fact that the person fails to meet the income and 101
support limitations under section 152(d)(1)(B) and (C) of the 102
Internal Revenue Code. 103

(11)(a) Deduct any amount included in federal adjusted 104
gross income solely because the amount represents a 105
reimbursement or refund of expenses that in any year the 106

taxpayer had deducted as an itemized deduction pursuant to 107
section 63 of the Internal Revenue Code and applicable United 108
States department of the treasury regulations. The deduction 109
otherwise allowed under division (A) (11) (a) of this section 110
shall be reduced to the extent the reimbursement is attributable 111
to an amount the taxpayer deducted under this section in any 112
taxable year. 113

(b) Add any amount not otherwise included in Ohio adjusted 114
gross income for any taxable year to the extent that the amount 115
is attributable to the recovery during the taxable year of any 116
amount deducted or excluded in computing federal or Ohio 117
adjusted gross income in any taxable year. 118

(12) Deduct any portion of the deduction described in 119
section 1341(a) (2) of the Internal Revenue Code, for repaying 120
previously reported income received under a claim of right, that 121
meets both of the following requirements: 122

(a) It is allowable for repayment of an item that was 123
included in the taxpayer's adjusted gross income for a prior 124
taxable year and did not qualify for a credit under division (A) 125
or (B) of section 5747.05 of the Revised Code for that year; 126

(b) It does not otherwise reduce the taxpayer's adjusted 127
gross income for the current or any other taxable year. 128

(13) Deduct an amount equal to the deposits made to, and 129
net investment earnings of, a medical savings account during the 130
taxable year, in accordance with section 3924.66 of the Revised 131
Code. The deduction allowed by division (A) (13) of this section 132
does not apply to medical savings account deposits and earnings 133
otherwise deducted or excluded for the current or any other 134
taxable year from the taxpayer's federal adjusted gross income. 135

(14) (a) Add an amount equal to the funds withdrawn from a medical savings account during the taxable year, and the net investment earnings on those funds, when the funds withdrawn were used for any purpose other than to reimburse an account holder for, or to pay, eligible medical expenses, in accordance with section 3924.66 of the Revised Code;	136 137 138 139 140 141
(b) Add the amounts distributed from a medical savings account under division (A) (2) of section 3924.68 of the Revised Code during the taxable year.	142 143 144
(15) Add any amount claimed as a credit under section 5747.059 of the Revised Code to the extent that such amount satisfies either of the following:	145 146 147
(a) The amount was deducted or excluded from the computation of the taxpayer's federal adjusted gross income as required to be reported for the taxpayer's taxable year under the Internal Revenue Code;	148 149 150 151
(b) The amount resulted in a reduction of the taxpayer's federal adjusted gross income as required to be reported for any of the taxpayer's taxable years under the Internal Revenue Code.	152 153 154
(16) Deduct the amount contributed by the taxpayer to an individual development account program established by a county department of job and family services pursuant to sections 329.11 to 329.14 of the Revised Code for the purpose of matching funds deposited by program participants. On request of the tax commissioner, the taxpayer shall provide any information that, in the tax commissioner's opinion, is necessary to establish the amount deducted under division (A) (16) of this section.	155 156 157 158 159 160 161 162
(17) (a) (i) Subject to divisions (A) (17) (a) (iii), (iv), and (v) of this section, add five-sixths of the amount of	163 164

depreciation expense allowed by subsection (k) of section 168 of 165
the Internal Revenue Code, including the taxpayer's 166
proportionate or distributive share of the amount of 167
depreciation expense allowed by that subsection to a pass- 168
through entity in which the taxpayer has a direct or indirect 169
ownership interest. 170

(ii) Subject to divisions (A) (17) (a) (iii), (iv), and (v) 171
of this section, add five-sixths of the amount of qualifying 172
section 179 depreciation expense, including the taxpayer's 173
proportionate or distributive share of the amount of qualifying 174
section 179 depreciation expense allowed to any pass-through 175
entity in which the taxpayer has a direct or indirect ownership 176
interest. 177

(iii) Subject to division (A) (17) (a) (v) of this section, 178
for taxable years beginning in 2012 or thereafter, if the 179
increase in income taxes withheld by the taxpayer is equal to or 180
greater than ten per cent of income taxes withheld by the 181
taxpayer during the taxpayer's immediately preceding taxable 182
year, "two-thirds" shall be substituted for "five-sixths" for 183
the purpose of divisions (A) (17) (a) (i) and (ii) of this section. 184

(iv) Subject to division (A) (17) (a) (v) of this section, 185
for taxable years beginning in 2012 or thereafter, a taxpayer is 186
not required to add an amount under division (A) (17) of this 187
section if the increase in income taxes withheld by the taxpayer 188
and by any pass-through entity in which the taxpayer has a 189
direct or indirect ownership interest is equal to or greater 190
than the sum of (I) the amount of qualifying section 179 191
depreciation expense and (II) the amount of depreciation expense 192
allowed to the taxpayer by subsection (k) of section 168 of the 193
Internal Revenue Code, and including the taxpayer's 194

proportionate or distributive shares of such amounts allowed to 195
any such pass-through entities. 196

(v) If a taxpayer directly or indirectly incurs a net 197
operating loss for the taxable year for federal income tax 198
purposes, to the extent such loss resulted from depreciation 199
expense allowed by subsection (k) of section 168 of the Internal 200
Revenue Code and by qualifying section 179 depreciation expense, 201
"the entire" shall be substituted for "five-sixths of the" for 202
the purpose of divisions (A) (17) (a) (i) and (ii) of this section. 203

The tax commissioner, under procedures established by the 204
commissioner, may waive the add-backs related to a pass-through 205
entity if the taxpayer owns, directly or indirectly, less than 206
five per cent of the pass-through entity. 207

(b) Nothing in division (A) (17) of this section shall be 208
construed to adjust or modify the adjusted basis of any asset. 209

(c) To the extent the add-back required under division (A) 210
(17) (a) of this section is attributable to property generating 211
nonbusiness income or loss allocated under section 5747.20 of 212
the Revised Code, the add-back shall be situated to the same 213
location as the nonbusiness income or loss generated by the 214
property for the purpose of determining the credit under 215
division (A) of section 5747.05 of the Revised Code. Otherwise, 216
the add-back shall be apportioned, subject to one or more of the 217
four alternative methods of apportionment enumerated in section 218
5747.21 of the Revised Code. 219

(d) For the purposes of division (A) (17) (a) (v) of this 220
section, net operating loss carryback and carryforward shall not 221
include the allowance of any net operating loss deduction 222
carryback or carryforward to the taxable year to the extent such 223

loss resulted from depreciation allowed by section 168(k) of the Internal Revenue Code and by the qualifying section 179 depreciation expense amount.

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

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

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

(iii) "Qualifying section 179 depreciation expense" means the difference between (I) the amount of depreciation expense directly or indirectly allowed to a taxpayer under section 179 of the Internal Revised Code, and (II) the amount of depreciation expense directly or indirectly allowed to the taxpayer under section 179 of the Internal Revenue Code as that section existed on December 31, 2002.

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

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

(ii) One-half of the amount so added for each of the two

succeeding taxable years if the amount so added was two-thirds	253
of such depreciation expense;	254
(iii) One-sixth of the amount so added for each of the six	255
succeeding taxable years if the entire amount of such	256
depreciation expense was so added.	257
(b) If the amount deducted under division (A) (18) (a) of	258
this section is attributable to an add-back allocated under	259
division (A) (17) (c) of this section, the amount deducted shall	260
be situated to the same location. Otherwise, the add-back shall	261
be apportioned using the apportionment factors for the taxable	262
year in which the deduction is taken, subject to one or more of	263
the four alternative methods of apportionment enumerated in	264
section 5747.21 of the Revised Code.	265
(c) No deduction is available under division (A) (18) (a) of	266
this section with regard to any depreciation allowed by section	267
168(k) of the Internal Revenue Code and by the qualifying	268
section 179 depreciation expense amount to the extent that such	269
depreciation results in or increases a federal net operating	270
loss carryback or carryforward. If no such deduction is	271
available for a taxable year, the taxpayer may carry forward the	272
amount not deducted in such taxable year to the next taxable	273
year and add that amount to any deduction otherwise available	274
under division (A) (18) (a) of this section for that next taxable	275
year. The carryforward of amounts not so deducted shall continue	276
until the entire addition required by division (A) (17) (a) of	277
this section has been deducted.	278
(19) Deduct, to the extent not otherwise deducted or	279
excluded in computing federal or Ohio adjusted gross income for	280
the taxable year, the amount the taxpayer received during the	281
taxable year as reimbursement for life insurance premiums under	282

section 5919.31 of the Revised Code.	283
(20) Deduct, to the extent not otherwise deducted or	284
excluded in computing federal or Ohio adjusted gross income for	285
the taxable year, the amount the taxpayer received during the	286
taxable year as a death benefit paid by the adjutant general	287
under section 5919.33 of the Revised Code.	288
(21) Deduct, to the extent included in federal adjusted	289
gross income and not otherwise allowable as a deduction or	290
exclusion in computing federal or Ohio adjusted gross income for	291
the taxable year, military pay and allowances received by the	292
taxpayer during the taxable year for active duty service in the	293
United States army, air force, navy, marine corps, or coast	294
guard or reserve components thereof or the national guard. The	295
deduction may not be claimed for military pay and allowances	296
received by the taxpayer while the taxpayer is stationed in this	297
state.	298
(22) Deduct, to the extent not otherwise allowable as a	299
deduction or exclusion in computing federal or Ohio adjusted	300
gross income for the taxable year and not otherwise compensated	301
for by any other source, the amount of qualified organ donation	302
expenses incurred by the taxpayer during the taxable year, not	303
to exceed ten thousand dollars. A taxpayer may deduct qualified	304
organ donation expenses only once for all taxable years	305
beginning with taxable years beginning in 2007.	306
For the purposes of division (A) (22) of this section:	307
(a) "Human organ" means all or any portion of a human	308
liver, pancreas, kidney, intestine, or lung, and any portion of	309
human bone marrow.	310
(b) "Qualified organ donation expenses" means travel	311

expenses, lodging expenses, and wages and salary forgone by a 312
taxpayer in connection with the taxpayer's donation, while 313
living, of one or more of the taxpayer's human organs to another 314
human being. 315

(23) Deduct, to the extent not otherwise deducted or 316
excluded in computing federal or Ohio adjusted gross income for 317
the taxable year, amounts received by the taxpayer as retired 318
personnel pay for service in the uniformed services or reserve 319
components thereof, or the national guard, or received by the 320
surviving spouse or former spouse of such a taxpayer under the 321
survivor benefit plan on account of such a taxpayer's death. If 322
the taxpayer receives income on account of retirement paid under 323
the federal civil service retirement system or federal employees 324
retirement system, or under any successor retirement program 325
enacted by the congress of the United States that is established 326
and maintained for retired employees of the United States 327
government, and such retirement income is based, in whole or in 328
part, on credit for the taxpayer's uniformed service, the 329
deduction allowed under this division shall include only that 330
portion of such retirement income that is attributable to the 331
taxpayer's uniformed service, to the extent that portion of such 332
retirement income is otherwise included in federal adjusted 333
gross income and is not otherwise deducted under this section. 334
Any amount deducted under division (A) (23) of this section is 335
not included in a taxpayer's adjusted gross income for the 336
purposes of section 5747.055 of the Revised Code. No amount may 337
be deducted under division (A) (23) of this section on the basis 338
of which a credit was claimed under section 5747.055 of the 339
Revised Code. 340

(24) Deduct, to the extent not otherwise deducted or 341
excluded in computing federal or Ohio adjusted gross income for 342

the taxable year, the amount the taxpayer received during the 343
taxable year from the military injury relief fund created in 344
section 5902.05 of the Revised Code. 345

(25) Deduct, to the extent not otherwise deducted or 346
excluded in computing federal or Ohio adjusted gross income for 347
the taxable year, the amount the taxpayer received as a veterans 348
bonus during the taxable year from the Ohio department of 349
veterans services as authorized by Section 2r of Article VIII, 350
Ohio Constitution. 351

(26) Deduct, to the extent not otherwise deducted or 352
excluded in computing federal or Ohio adjusted gross income for 353
the taxable year, any income derived from a transfer agreement 354
or from the enterprise transferred under that agreement under 355
section 4313.02 of the Revised Code. 356

(27) Deduct, to the extent not otherwise deducted or 357
excluded in computing federal or Ohio adjusted gross income for 358
the taxable year, Ohio college opportunity or federal Pell grant 359
amounts received by the taxpayer or the taxpayer's spouse or 360
dependent pursuant to section 3333.122 of the Revised Code or 20 361
U.S.C. 1070a, et seq., and used to pay room or board furnished 362
by the educational institution for which the grant was awarded 363
at the institution's facilities, including meal plans 364
administered by the institution. For the purposes of this 365
division, receipt of a grant includes the distribution of a 366
grant directly to an educational institution and the crediting 367
of the grant to the enrollee's account with the institution. 368

(28) Deduct from the portion of an individual's federal 369
adjusted gross income that is business income, to the extent not 370
otherwise deducted or excluded in computing federal adjusted 371
gross income for the taxable year, one hundred twenty-five 372

thousand dollars for each spouse if spouses file separate 373
returns under section 5747.08 of the Revised Code or two hundred 374
fifty thousand dollars for all other individuals. 375

(29) Deduct, as provided under section 5747.78 of the 376
Revised Code, contributions to ABLE savings accounts made in 377
accordance with sections 113.50 to 113.56 of the Revised Code. 378

(30) (a) Deduct, to the extent not otherwise deducted or 379
excluded in computing federal or Ohio adjusted gross income 380
during the taxable year, all of the following: 381

(i) Compensation paid to a qualifying employee described 382
in division (A) (14) (a) of section 5703.94 of the Revised Code to 383
the extent such compensation is for disaster work conducted in 384
this state during a disaster response period pursuant to a 385
qualifying solicitation received by the employee's employer; 386

(ii) Compensation paid to a qualifying employee described 387
in division (A) (14) (b) of section 5703.94 of the Revised Code to 388
the extent such compensation is for disaster work conducted in 389
this state by the employee during the disaster response period 390
on critical infrastructure owned or used by the employee's 391
employer; 392

(iii) Income received by an out-of-state disaster business 393
for disaster work conducted in this state during a disaster 394
response period, or, if the out-of-state disaster business is a 395
pass-through entity, a taxpayer's distributive share of the 396
pass-through entity's income from the business conducting 397
disaster work in this state during a disaster response period, 398
if, in either case, the disaster work is conducted pursuant to a 399
qualifying solicitation received by the business. 400

(b) All terms used in division (A) (30) of this section 401

have the same meanings as in section 5703.94 of the Revised Code. 402
403

(31) For a taxpayer who is a qualifying Ohio educator, 404
deduct, to the extent not otherwise deducted or excluded in 405
computing federal or Ohio adjusted gross income for the taxable 406
year, the lesser of two hundred fifty dollars or the amount of 407
expenses described in subsections (a)(2)(D)(i) and (ii) of 408
section 62 of the Internal Revenue Code paid or incurred by the 409
taxpayer during the taxpayer's taxable year in excess of the 410
amount the taxpayer is authorized to deduct for that taxable 411
year under subsection (a)(2)(D) of that section. 412

(32) Deduct, to the extent not otherwise deducted or 413
excluded in computing federal or Ohio adjusted gross income for 414
the taxable year, amounts received by the taxpayer as a 415
disability severance payment, computed under 10 U.S.C. 1212, 416
following discharge or release under honorable conditions from 417
the armed forces, as defined by 10 U.S.C. 101. 418

(33) Deduct, to the extent not otherwise deducted or 419
excluded in computing federal adjusted gross income or Ohio 420
adjusted gross income, amounts not subject to tax due to an 421
agreement entered into under division (A)(2) of section 5747.05 422
of the Revised Code. 423

(34) Deduct amounts as provided under section 5747.79 of 424
the Revised Code related to the taxpayer's qualifying capital 425
gains and deductible payroll. 426

To the extent a qualifying capital gain described under 427
division (A)(34) of this section is business income, the 428
taxpayer shall deduct those gains under this division before 429
deducting any such gains under division (A)(28) of this section. 430

(35) (a) For taxable years beginning in or after 2026, 431
deduct, to the extent not otherwise deducted or excluded in 432
computing federal or Ohio adjusted gross income for the taxable 433
year: 434

(i) One hundred per cent of the capital gain received by 435
the taxpayer in the taxable year from a qualifying interest in 436
an Ohio venture capital operating company attributable to the 437
company's investments in Ohio businesses during the period for 438
which the company was an Ohio venture operating company; and 439

(ii) Fifty per cent of the capital gain received by the 440
taxpayer in the taxable year from a qualifying interest in an 441
Ohio venture capital operating company attributable to the 442
company's investments in all other businesses during the period 443
for which the company was an Ohio venture operating company. 444

(b) Add amounts previously deducted by the taxpayer under 445
division (A) (35) (a) of this section if the director of 446
development certifies to the tax commissioner that the 447
requirements for the deduction were not met. 448

(c) All terms used in division (A) (35) of this section 449
have the same meanings as in section 122.851 of the Revised 450
Code. 451

(d) To the extent a capital gain described in division (A) 452
(35) (a) of this section is business income, the taxpayer shall 453
apply that division before applying division (A) (28) of this 454
section. 455

(36) Add, to the extent not otherwise included in 456
computing federal or Ohio adjusted gross income for any taxable 457
year, the taxpayer's proportionate share of the amount of the 458
tax levied under section 5747.38 of the Revised Code and paid by 459

an electing pass-through entity for the taxable year. 460

Notwithstanding any provision of the Revised Code to the 461
contrary, the portion of the addition required by division (A) 462
(36) of this section related to the apportioned business income 463
of the pass-through entity shall be considered business income 464
under division (B) of this section. Such addition is eligible 465
for the deduction in division (A) (28) of this section, subject 466
to the applicable dollar limitations, and the tax rate 467
prescribed by division (A) (4) (a) of section 5747.02 of the 468
Revised Code. The taxpayer shall provide, upon request of the 469
tax commissioner, any documentation necessary to verify the 470
portion of the addition that is business income under this 471
division. 472

(37) Deduct, to the extent not otherwise deducted or 473
excluded in computing federal or Ohio adjusted gross income for 474
the taxable year, amounts delivered to a qualifying institution 475
pursuant to section 3333.128 of the Revised Code for the benefit 476
of the taxpayer or the taxpayer's spouse or dependent. 477

(38) Deduct, to the extent not otherwise deducted or 478
excluded in computing federal or Ohio adjusted gross income for 479
the taxable year, amounts received under the Ohio adoption grant 480
program pursuant to section 5101.191 of the Revised Code. 481

(39) Deduct, to the extent included in federal adjusted 482
gross income, income attributable to amounts provided to a 483
taxpayer for any of the purposes for which an exclusion would 484
have been authorized under section 139 of the Internal Revenue 485
Code if the train derailment near the city of East Palestine on 486
February 3, 2023, had been a qualified disaster pursuant to that 487
section, or to compensate for lost business resulting from that 488
derailment, if such amounts are provided by any of the 489

following:	490
(a) A federal, state, or local government agency;	491
(b) A railroad company, as that term is defined in section 5727.01 of the Revised Code;	492 493
(c) Any subsidiary, insurer, or agent of a railroad company or any related person.	494 495
Notwithstanding any provision to the contrary, the derailment is not required to meet the definition of a "qualified disaster" pursuant to section 139 of the Internal Revenue Code to qualify for the deduction under this section.	496 497 498 499
(40) Deduct, to the extent included in federal adjusted gross income, income attributable to loan repayments on behalf of the taxpayer under the rural practice incentive program under section 3333.135 of the Revised Code.	500 501 502 503
(41) Add any income taxes deducted in computing federal or Ohio adjusted gross income to the extent the income taxes were derived from income subject to a tax levied in another state or the District of Columbia when such tax was enacted for purposes of complying with internal revenue service notice 2020-75.	504 505 506 507 508
Notwithstanding any provision of the Revised Code to the contrary, the portion of the addition required by division (A) (41) of this section related to the apportioned business income of the pass-through entity shall be considered business income under division (B) of this section. Such addition is eligible for the deduction in division (A) (28) of this section, subject to the applicable dollar limitations, and the tax rate prescribed by division (A) (4) (a) of section 5747.02 of the Revised Code. The taxpayer shall provide, upon request of the tax commissioner, any documentation necessary to verify the	509 510 511 512 513 514 515 516 517 518

portion of the addition that is business income under this 519
division. 520

(42) Deduct amounts contributed to a homeownership savings 521
account and calculated pursuant to divisions (B) and (C) of 522
section 5747.85 of the Revised Code. 523

(43) If the taxpayer is the account owner, add the amount 524
of funds withdrawn from a homeownership savings account not used 525
for eligible expenses, regardless of who deposited those funds. 526
As used in division (A) (43) of this section, "homeownership 527
savings account," "account owner," and "eligible expenses" have 528
the same meanings as in section 5747.85 of the Revised Code. 529

(B) "Business income" means income, including gain or 530
loss, arising from transactions, activities, and sources in the 531
regular course of a trade or business and includes income, gain, 532
or loss from real property, tangible property, and intangible 533
property if the acquisition, rental, management, and disposition 534
of the property constitute integral parts of the regular course 535
of a trade or business operation. "Business income" includes 536
income, including gain or loss, from a partial or complete 537
liquidation of a business, including, but not limited to, gain 538
or loss from the sale or other disposition of goodwill or the 539
sale of an equity or ownership interest in a business. 540

As used in this division, the "sale of an equity or 541
ownership interest in a business" means sales to which either or 542
both of the following apply: 543

(1) The sale is treated for federal income tax purposes as 544
the sale of assets. 545

(2) The seller materially participated, as described in 26 546
C.F.R. 1.469-5T, in the activities of the business during the 547

taxable year in which the sale occurs or during any of the five 548
preceding taxable years. 549

(C) "Nonbusiness income" means all income other than 550
business income and may include, but is not limited to, 551
compensation, rents and royalties from real or tangible personal 552
property, capital gains, interest, dividends and distributions, 553
patent or copyright royalties, or lottery winnings, prizes, and 554
awards. 555

(D) "Compensation" means any form of remuneration paid to 556
an employee for personal services. 557

(E) "Fiduciary" means a guardian, trustee, executor, 558
administrator, receiver, conservator, or any other person acting 559
in any fiduciary capacity for any individual, trust, or estate. 560

(F) "Fiscal year" means an accounting period of twelve 561
months ending on the last day of any month other than December. 562

(G) "Individual" means any natural person. 563

(H) "Internal Revenue Code" means the "Internal Revenue 564
Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended. 565

(I) "Resident" means any of the following: 566

(1) An individual who is domiciled in this state, subject 567
to section 5747.24 of the Revised Code; 568

(2) The estate of a decedent who at the time of death was 569
domiciled in this state. The domicile tests of section 5747.24 570
of the Revised Code are not controlling for purposes of division 571
(I) (2) of this section. 572

(3) A trust that, in whole or part, resides in this state. 573
If only part of a trust resides in this state, the trust is a 574

resident only with respect to that part. 575

For the purposes of division (I) (3) of this section: 576

(a) A trust resides in this state for the trust's current 577
taxable year to the extent, as described in division (I) (3) (d) 578
of this section, that the trust consists directly or indirectly, 579
in whole or in part, of assets, net of any related liabilities, 580
that were transferred, or caused to be transferred, directly or 581
indirectly, to the trust by any of the following: 582

(i) A person, a court, or a governmental entity or 583
instrumentality on account of the death of a decedent, but only 584
if the trust is described in division (I) (3) (e) (i) or (ii) of 585
this section; 586

(ii) A person who was domiciled in this state for the 587
purposes of this chapter when the person directly or indirectly 588
transferred assets to an irrevocable trust, but only if at least 589
one of the trust's qualifying beneficiaries is domiciled in this 590
state for the purposes of this chapter during all or some 591
portion of the trust's current taxable year; 592

(iii) A person who was domiciled in this state for the 593
purposes of this chapter when the trust document or instrument 594
or part of the trust document or instrument became irrevocable, 595
but only if at least one of the trust's qualifying beneficiaries 596
is a resident domiciled in this state for the purposes of this 597
chapter during all or some portion of the trust's current 598
taxable year. If a trust document or instrument became 599
irrevocable upon the death of a person who at the time of death 600
was domiciled in this state for purposes of this chapter, that 601
person is a person described in division (I) (3) (a) (iii) of this 602
section. 603

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

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

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

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

(ii) Each subsequent time the trust receives assets, a

revised qualifying ratio shall be computed. The numerator of the 634
revised qualifying ratio is the sum of (1) the fair market value 635
of the trust's assets immediately prior to the subsequent 636
transfer, net of any related liabilities, multiplied by the 637
qualifying ratio last computed without regard to the subsequent 638
transfer, and (2) the fair market value of the subsequently 639
transferred assets at the time transferred, net of any related 640
liabilities, from sources enumerated in division (I) (3) (a) of 641
this section. The denominator of the revised qualifying ratio is 642
the fair market value of all the trust's assets immediately 643
after the subsequent transfer, net of any related liabilities. 644

(iii) Whether a transfer to the trust is by or from any of 645
the sources enumerated in division (I) (3) (a) of this section 646
shall be ascertained without regard to the domicile of the 647
trust's beneficiaries. 648

(e) For the purposes of division (I) (3) (a) (i) of this 649
section: 650

(i) A trust is described in division (I) (3) (e) (i) of this 651
section if the trust is a testamentary trust and the testator of 652
that testamentary trust was domiciled in this state at the time 653
of the testator's death for purposes of the taxes levied under 654
Chapter 5731. of the Revised Code. 655

(ii) A trust is described in division (I) (3) (e) (ii) of 656
this section if the transfer is a qualifying transfer described 657
in any of divisions (I) (3) (f) (i) to (vi) of this section, the 658
trust is an irrevocable inter vivos trust, and at least one of 659
the trust's qualifying beneficiaries is domiciled in this state 660
for purposes of this chapter during all or some portion of the 661
trust's current taxable year. 662

(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 692
of a testator who was domiciled in this state at the time of the 693
testator's death for purposes of the taxes levied under Chapter 694
5731. of the Revised Code. 695

(vi) The transfer is made to a trust created by or caused 696
to be created by a court, and the trust was directly or 697
indirectly created in connection with or as a result of the 698
death of an individual who, for purposes of the taxes levied 699
under Chapter 5731. of the Revised Code, was domiciled in this 700
state at the time of the individual's death. 701

(g) The tax commissioner may adopt rules to ascertain the 702
part of a trust residing in this state. 703

(J) "Nonresident" means an individual or estate that is 704
not a resident. An individual who is a resident for only part of 705
a taxable year is a nonresident for the remainder of that 706
taxable year. 707

(K) "Pass-through entity" has the same meaning as in 708
section 5733.04 of the Revised Code. 709

(L) "Return" means the notifications and reports required 710
to be filed pursuant to this chapter for the purpose of 711
reporting the tax due and includes declarations of estimated tax 712
when so required. 713

(M) "Taxable year" means the calendar year or the 714
taxpayer's fiscal year ending during the calendar year, or 715
fractional part thereof, upon which the adjusted gross income is 716
calculated pursuant to this chapter. 717

(N) "Taxpayer" means any person subject to the tax imposed 718
by section 5747.02 of the Revised Code or any pass-through 719
entity that makes the election under division (D) of section 720

5747.08 of the Revised Code.	721
(O) "Dependents" means one of the following:	722
(1) For taxable years beginning on or after January 1, 2018, and before January 1, 2026, dependents as defined in the Internal Revenue Code;	723 724 725
(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.	726 727 728 729 730
<u>For all taxable years ending on or after January 1, 2025, "dependents" shall include each child conceived by the taxpayer or the taxpayer's spouse during the taxable year, so long as the child is not also a qualifying child, as that term is defined in section 152 of the Internal Revenue Code, for the same taxable year.</u>	731 732 733 734 735 736
(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.	737 738 739 740 741
(Q) As used in sections 5747.50 to 5747.55 of the Revised Code:	742 743
(1) "Subdivision" means any county, municipal corporation, park district, or township.	744 745
(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	746 747 748

charter adopted pursuant to the Ohio Constitution. 749

(R) "Overpayment" means any amount already paid that 750
exceeds the figure determined to be the correct amount of the 751
tax. 752

(S) "Taxable income" or "Ohio taxable income" applies only 753
to estates and trusts, and means federal taxable income, as 754
defined and used in the Internal Revenue Code, adjusted as 755
follows: 756

(1) Add interest or dividends, net of ordinary, necessary, 757
and reasonable expenses not deducted in computing federal 758
taxable income, on obligations or securities of any state or of 759
any political subdivision or authority of any state, other than 760
this state and its subdivisions and authorities, but only to the 761
extent that such net amount is not otherwise includible in Ohio 762
taxable income and is described in either division (S) (1) (a) or 763
(b) of this section: 764

(a) The net amount is not attributable to the S portion of 765
an electing small business trust and has not been distributed to 766
beneficiaries for the taxable year; 767

(b) The net amount is attributable to the S portion of an 768
electing small business trust for the taxable year. 769

(2) Add interest or dividends, net of ordinary, necessary, 770
and reasonable expenses not deducted in computing federal 771
taxable income, on obligations of any authority, commission, 772
instrumentality, territory, or possession of the United States 773
to the extent that the interest or dividends are exempt from 774
federal income taxes but not from state income taxes, but only 775
to the extent that such net amount is not otherwise includible 776
in Ohio taxable income and is described in either division (S) 777

(1) (a) or (b) of this section;	778
(3) Add the amount of personal exemption allowed to the estate pursuant to section 642(b) of the Internal Revenue Code;	779 780
(4) Deduct interest or dividends, net of related expenses deducted in computing federal taxable income, on obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent that the interest or dividends are exempt from state taxes under the laws of the United States, but only to the extent that such amount is included in federal taxable income and is described in either division (S) (1) (a) or (b) of this section;	781 782 783 784 785 786 787 788 789
(5) Deduct the amount of wages and salaries, if any, not otherwise allowable as a deduction but that would have been allowable as a deduction in computing federal taxable income for the taxable year, had the work opportunity tax credit allowed under sections 38, 51, and 52 of the Internal Revenue Code not been in effect, but only to the extent such amount relates either to income included in federal taxable income for the taxable year or to income of the S portion of an electing small business trust for the taxable year;	790 791 792 793 794 795 796 797 798
(6) Deduct any interest or interest equivalent, net of related expenses deducted in computing federal taxable income, on public obligations and purchase obligations, but only to the extent that such net amount relates either to income included in federal taxable income for the taxable year or to income of the S portion of an electing small business trust for the taxable year;	799 800 801 802 803 804 805
(7) Add any loss or deduct any gain resulting from sale,	806

exchange, or other disposition of public obligations to the 807
extent that such loss has been deducted or such gain has been 808
included in computing either federal taxable income or income of 809
the S portion of an electing small business trust for the 810
taxable year; 811

(8) Except in the case of the final return of an estate, 812
add any amount deducted by the taxpayer on both its Ohio estate 813
tax return pursuant to section 5731.14 of the Revised Code, and 814
on its federal income tax return in determining federal taxable 815
income; 816

(9) (a) Deduct any amount included in federal taxable 817
income solely because the amount represents a reimbursement or 818
refund of expenses that in a previous year the decedent had 819
deducted as an itemized deduction pursuant to section 63 of the 820
Internal Revenue Code and applicable treasury regulations. The 821
deduction otherwise allowed under division (S) (9) (a) of this 822
section shall be reduced to the extent the reimbursement is 823
attributable to an amount the taxpayer or decedent deducted 824
under this section in any taxable year. 825

(b) Add any amount not otherwise included in Ohio taxable 826
income for any taxable year to the extent that the amount is 827
attributable to the recovery during the taxable year of any 828
amount deducted or excluded in computing federal or Ohio taxable 829
income in any taxable year, but only to the extent such amount 830
has not been distributed to beneficiaries for the taxable year. 831

(10) Deduct any portion of the deduction described in 832
section 1341(a) (2) of the Internal Revenue Code, for repaying 833
previously reported income received under a claim of right, that 834
meets both of the following requirements: 835

(a) It is allowable for repayment of an item that was 836
included in the taxpayer's taxable income or the decedent's 837
adjusted gross income for a prior taxable year and did not 838
qualify for a credit under division (A) or (B) of section 839
5747.05 of the Revised Code for that year. 840

(b) It does not otherwise reduce the taxpayer's taxable 841
income or the decedent's adjusted gross income for the current 842
or any other taxable year. 843

(11) Add any amount claimed as a credit under section 844
5747.059 of the Revised Code to the extent that the amount 845
satisfies either of the following: 846

(a) The amount was deducted or excluded from the 847
computation of the taxpayer's federal taxable income as required 848
to be reported for the taxpayer's taxable year under the 849
Internal Revenue Code; 850

(b) The amount resulted in a reduction in the taxpayer's 851
federal taxable income as required to be reported for any of the 852
taxpayer's taxable years under the Internal Revenue Code. 853

(12) Deduct any amount, net of related expenses deducted 854
in computing federal taxable income, that a trust is required to 855
report as farm income on its federal income tax return, but only 856
if the assets of the trust include at least ten acres of land 857
satisfying the definition of "land devoted exclusively to 858
agricultural use" under section 5713.30 of the Revised Code, 859
regardless of whether the land is valued for tax purposes as 860
such land under sections 5713.30 to 5713.38 of the Revised Code. 861
If the trust is a pass-through entity investor, section 5747.231 862
of the Revised Code applies in ascertaining if the trust is 863
eligible to claim the deduction provided by division (S)(12) of 864

this section in connection with the pass-through entity's farm income. 865
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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. 867
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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. 871
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(14) Deduct the amount the taxpayer would be required to deduct under division (A) (18) of this section if the taxpayer's Ohio taxable income ~~were~~was computed in the same manner as an individual's Ohio adjusted gross income is computed under this section. 874
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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. 879
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(16) Add any income taxes deducted in computing federal taxable income or Ohio taxable income to the extent the income taxes were derived from income subject to a tax levied in another state or the District of Columbia when such tax was enacted for purposes of complying with internal revenue service notice 2020-75. 884
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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. 890
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(U) As used in divisions (A) (7), (A) (8), (S) (6), and (S) 893

(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.

(V) "Limited liability company" means any limited liability company formed under former Chapter 1705. of the Revised Code as that chapter existed prior to February 11, 2022, Chapter 1706. of the Revised Code, or the laws of any other state.

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

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

(Y) "Month" means a calendar month.

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

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

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

(a) The book value of the qualifying investee's physical 922
assets in this state and everywhere, as of the last day of the 923
qualifying investee's fiscal or calendar year ending immediately 924
prior to the date on which the trust recognizes the gain or 925
loss, is available to the trust. 926

(b) The requirements of section 5747.011 of the Revised 927
Code are satisfied for the trust's taxable year in which the 928
trust recognizes the gain or loss. 929

Any gain or loss that is not a qualifying trust amount is 930
modified business income, qualifying investment income, or 931
modified nonbusiness income, as the case may be. 932

(3) "Modified nonbusiness income" means a trust's Ohio 933
taxable income other than modified business income, other than 934
the qualifying trust amount, and other than qualifying 935
investment income, as defined in section 5747.012 of the Revised 936
Code, to the extent such qualifying investment income is not 937
otherwise part of modified business income. 938

(4) "Modified Ohio taxable income" applies only to trusts, 939
and means the sum of the amounts described in divisions (AA) (4) 940
(a) to (c) of this section: 941

(a) The fraction, calculated under section 5747.013, and 942
applying section 5747.231 of the Revised Code, multiplied by the 943
sum of the following amounts: 944

(i) The trust's modified business income; 945

(ii) The trust's qualifying investment income, as defined 946
in section 5747.012 of the Revised Code, but only to the extent 947
the qualifying investment income does not otherwise constitute 948
modified business income and does not otherwise constitute a 949
qualifying trust amount. 950

(b) The qualifying trust amount multiplied by a fraction, 951
the numerator of which is the sum of the book value of the 952
qualifying investee's physical assets in this state on the last 953
day of the qualifying investee's fiscal or calendar year ending 954
immediately prior to the day on which the trust recognizes the 955
qualifying trust amount, and the denominator of which is the sum 956
of the book value of the qualifying investee's total physical 957
assets everywhere on the last day of the qualifying investee's 958
fiscal or calendar year ending immediately prior to the day on 959
which the trust recognizes the qualifying trust amount. If, for 960
a taxable year, the trust recognizes a qualifying trust amount 961
with respect to more than one qualifying investee, the amount 962
described in division (AA) (4) (b) of this section shall equal the 963
sum of the products so computed for each such qualifying 964
investee. 965

(c) (i) With respect to a trust or portion of a trust that 966
is a resident as ascertained in accordance with division (I) (3) 967
(d) of this section, its modified nonbusiness income. 968

(ii) With respect to a trust or portion of a trust that is 969
not a resident as ascertained in accordance with division (I) (3) 970
(d) of this section, the amount of its modified nonbusiness 971
income satisfying the descriptions in divisions (B) (2) to (5) of 972
section 5747.20 of the Revised Code, except as otherwise 973
provided in division (AA) (4) (c) (ii) of this section. With 974
respect to a trust or portion of a trust that is not a resident 975
as ascertained in accordance with division (I) (3) (d) of this 976
section, the trust's portion of modified nonbusiness income 977
recognized from the sale, exchange, or other disposition of a 978
debt interest in or equity interest in a section 5747.212 979
entity, as defined in section 5747.212 of the Revised Code, 980
without regard to division (A) of that section, shall not be 981

allocated to this state in accordance with section 5747.20 of 982
the Revised Code but shall be apportioned to this state in 983
accordance with division (B) of section 5747.212 of the Revised 984
Code without regard to division (A) of that section. 985

If the allocation and apportionment of a trust's income 986
under divisions (AA) (4) (a) and (c) of this section do not fairly 987
represent the modified Ohio taxable income of the trust in this 988
state, the alternative methods described in division (C) of 989
section 5747.21 of the Revised Code may be applied in the manner 990
and to the same extent provided in that section. 991

(5) (a) Except as set forth in division (AA) (5) (b) of this 992
section, "qualifying investee" means a person in which a trust 993
has an equity or ownership interest, or a person or unit of 994
government the debt obligations of either of which are owned by 995
a trust. For the purposes of division (AA) (2) (a) of this section 996
and for the purpose of computing the fraction described in 997
division (AA) (4) (b) of this section, all of the following apply: 998

(i) If the qualifying investee is a member of a qualifying 999
controlled group on the last day of the qualifying investee's 1000
fiscal or calendar year ending immediately prior to the date on 1001
which the trust recognizes the gain or loss, then "qualifying 1002
investee" includes all persons in the qualifying controlled 1003
group on such last day. 1004

(ii) If the qualifying investee, or if the qualifying 1005
investee and any members of the qualifying controlled group of 1006
which the qualifying investee is a member on the last day of the 1007
qualifying investee's fiscal or calendar year ending immediately 1008
prior to the date on which the trust recognizes the gain or 1009
loss, separately or cumulatively own, directly or indirectly, on 1010
the last day of the qualifying investee's fiscal or calendar 1011

year ending immediately prior to the date on which the trust 1012
recognizes the qualifying trust amount, more than fifty per cent 1013
of the equity of a pass-through entity, then the qualifying 1014
investee and the other members are deemed to own the 1015
proportionate share of the pass-through entity's physical assets 1016
which the pass-through entity directly or indirectly owns on the 1017
last day of the pass-through entity's calendar or fiscal year 1018
ending within or with the last day of the qualifying investee's 1019
fiscal or calendar year ending immediately prior to the date on 1020
which the trust recognizes the qualifying trust amount. 1021

(iii) For the purposes of division (AA) (5) (a) (iii) of this 1022
section, "upper level pass-through entity" means a pass-through 1023
entity directly or indirectly owning any equity of another pass- 1024
through entity, and "lower level pass-through entity" means that 1025
other pass-through entity. 1026

An upper level pass-through entity, whether or not it is 1027
also a qualifying investee, is deemed to own, on the last day of 1028
the upper level pass-through entity's calendar or fiscal year, 1029
the proportionate share of the lower level pass-through entity's 1030
physical assets that the lower level pass-through entity 1031
directly or indirectly owns on the last day of the lower level 1032
pass-through entity's calendar or fiscal year ending within or 1033
with the last day of the upper level pass-through entity's 1034
fiscal or calendar year. If the upper level pass-through entity 1035
directly and indirectly owns less than fifty per cent of the 1036
equity of the lower level pass-through entity on each day of the 1037
upper level pass-through entity's calendar or fiscal year in 1038
which or with which ends the calendar or fiscal year of the 1039
lower level pass-through entity and if, based upon clear and 1040
convincing evidence, complete information about the location and 1041
cost of the physical assets of the lower pass-through entity is 1042

not available to the upper level pass-through entity, then 1043
solely for purposes of ascertaining if a gain or loss 1044
constitutes a qualifying trust amount, the upper level pass- 1045
through entity shall be deemed as owning no equity of the lower 1046
level pass-through entity for each day during the upper level 1047
pass-through entity's calendar or fiscal year in which or with 1048
which ends the lower level pass-through entity's calendar or 1049
fiscal year. Nothing in division (AA) (5) (a) (iii) of this section 1050
shall be construed to provide for any deduction or exclusion in 1051
computing any trust's Ohio taxable income. 1052

(b) With respect to a trust that is not a resident for the 1053
taxable year and with respect to a part of a trust that is not a 1054
resident for the taxable year, "qualifying investee" for that 1055
taxable year does not include a C corporation if both of the 1056
following apply: 1057

(i) During the taxable year the trust or part of the trust 1058
recognizes a gain or loss from the sale, exchange, or other 1059
disposition of equity or ownership interests in, or debt 1060
obligations of, the C corporation. 1061

(ii) Such gain or loss constitutes nonbusiness income. 1062

(6) "Available" means information is such that a person is 1063
able to learn of the information by the due date plus 1064
extensions, if any, for filing the return for the taxable year 1065
in which the trust recognizes the gain or loss. 1066

(BB) "Qualifying controlled group" has the same meaning as 1067
in section 5733.04 of the Revised Code. 1068

(CC) "Related member" has the same meaning as in section 1069
5733.042 of the Revised Code. 1070

(DD) (1) For the purposes of division (DD) of this section: 1071

(a) "Qualifying person" means any person other than a qualifying corporation.	1072 1073
(b) "Qualifying corporation" means any person classified for federal income tax purposes as an association taxable as a corporation, except either of the following:	1074 1075 1076
(i) A corporation that has made an election under subchapter S, chapter one, subtitle A, of the Internal Revenue Code for its taxable year ending within, or on the last day of, the investor's taxable year;	1077 1078 1079 1080
(ii) A subsidiary that is wholly owned by any corporation that has made an election under subchapter S, chapter one, subtitle A of the Internal Revenue Code for its taxable year ending within, or on the last day of, the investor's taxable year.	1081 1082 1083 1084 1085
(2) For the purposes of this chapter, unless expressly stated otherwise, no qualifying person indirectly owns any asset directly or indirectly owned by any qualifying corporation.	1086 1087 1088
(EE) For purposes of this chapter and Chapter 5751. of the Revised Code:	1089 1090
(1) "Trust" does not include a qualified pre-income tax trust.	1091 1092
(2) A "qualified pre-income tax trust" is any pre-income tax trust that makes a qualifying pre-income tax trust election as described in division (EE) (3) of this section.	1093 1094 1095
(3) A "qualifying pre-income tax trust election" is an election by a pre-income tax trust to subject to the tax imposed by section 5751.02 of the Revised Code the pre-income tax trust and all pass-through entities of which the trust owns or	1096 1097 1098 1099

controls, directly, indirectly, or constructively through 1100
related interests, five per cent or more of the ownership or 1101
equity interests. The trustee shall notify the tax commissioner 1102
in writing of the election on or before April 15, 2006. The 1103
election, if timely made, shall be effective on and after 1104
January 1, 2006, and shall apply for all tax periods and tax 1105
years until revoked by the trustee of the trust. 1106

(4) A "pre-income tax trust" is a trust that satisfies all 1107
of the following requirements: 1108

(a) The document or instrument creating the trust was 1109
executed by the grantor before January 1, 1972; 1110

(b) The trust became irrevocable upon the creation of the 1111
trust; and 1112

(c) The grantor was domiciled in this state at the time 1113
the trust was created. 1114

(FF) "Uniformed services" has the same meaning as in 10 1115
U.S.C. 101. 1116

(GG) "Taxable business income" means the amount by which 1117
an individual's business income that is included in federal 1118
adjusted gross income exceeds the amount of business income the 1119
individual is authorized to deduct under division (A) (28) of 1120
this section for the taxable year. 1121

(HH) "Employer" does not include a franchisor with respect 1122
to the franchisor's relationship with a franchisee or an 1123
employee of a franchisee, unless the franchisor agrees to assume 1124
that role in writing or a court of competent jurisdiction 1125
determines that the franchisor exercises a type or degree of 1126
control over the franchisee or the franchisee's employees that 1127
is not customarily exercised by a franchisor for the purpose of 1128

protecting the franchisor's trademark, brand, or both. For 1129
purposes of this division, "franchisor" and "franchisee" have 1130
the same meanings as in 16 C.F.R. 436.1. 1131

(II) "Modified adjusted gross income" means Ohio adjusted 1132
gross income plus any amount deducted under divisions (A) (28) 1133
and (34) of this section for the taxable year. 1134

(JJ) "Qualifying Ohio educator" means an individual who, 1135
for a taxable year, qualifies as an eligible educator, as that 1136
term is defined in section 62 of the Internal Revenue Code, and 1137
who holds a certificate, license, or permit described in Chapter 1138
3319. or section 3301.071 of the Revised Code. 1139

Sec. 5747.025. (A) The personal exemption for the 1140
taxpayer, the taxpayer's spouse, and each dependent shall be one 1141
of the following amounts: 1142

(1) Two thousand three hundred fifty dollars if the 1143
taxpayer's modified adjusted gross income for the taxable year 1144
as shown on an individual or joint annual return is less than or 1145
equal to forty thousand dollars; 1146

(2) Two thousand one hundred dollars if the taxpayer's 1147
modified adjusted gross income for the taxable year as shown on 1148
an individual or joint annual return is greater than forty 1149
thousand dollars but less than or equal to eighty thousand 1150
dollars; 1151

(3) One thousand eight hundred fifty dollars if the 1152
taxpayer's modified adjusted gross income for the taxable year 1153
as shown on an individual or joint annual return is greater than 1154
eighty thousand dollars. 1155

(B) For taxable years beginning in 2020 and thereafter, 1156
the personal exemption amounts prescribed in division (A) of 1157

this section shall be adjusted each year in the manner 1158
prescribed in division (C) of this section. In the case of an 1159
individual with respect to whom an exemption under section 1160
5747.02 of the Revised Code is allowable to another taxpayer for 1161
a taxable year beginning in the calendar year in which the 1162
individual's taxable year begins, the exemption amount 1163
applicable to such individual for such individual's taxable year 1164
shall be zero. 1165

(C) Except as otherwise provided in this division, in 1166
August of each year, the tax commissioner shall determine the 1167
percentage increase in the gross domestic product deflator 1168
determined by the bureau of economic analysis of the United 1169
States department of commerce from the first day of January of 1170
the preceding calendar year to the last day of December of the 1171
preceding year, and make a new adjustment to the personal 1172
exemption amount for taxable years beginning in the current 1173
calendar year by multiplying that amount by the percentage 1174
increase in the gross domestic product deflator for that period; 1175
adding the resulting product to the personal exemption amount 1176
for taxable years beginning in the preceding calendar year; and 1177
rounding the resulting sum upward to the nearest multiple of 1178
fifty dollars. The adjusted amount applies to taxable years 1179
beginning in the calendar year in which the adjustment is made 1180
and to taxable years beginning in each ensuing calendar year 1181
until a calendar year in which a new adjustment is made pursuant 1182
to this division. The commissioner shall not make a new 1183
adjustment in any calendar year in which the amount resulting 1184
from the adjustment would be less than the amount resulting from 1185
the adjustment in the preceding calendar year. 1186

(D) If the taxpayer and the taxpayer's spouse file 1187
separate returns, the exemption authorized under division (A) of 1188

this section for a conceived child may only be claimed by the 1189
expecting mother. 1190

Section 2. That existing sections 5747.01 and 5747.025 of 1191
the Revised Code are hereby repealed. 1192

Section 3. This act shall be known as the Strategic Tax 1193
Opportunities for Raising Kids (STORK) Act. 1194