

As Introduced

136th General Assembly

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H. B. No. 116

Representative Demetriou

Cosponsors: Representatives Fischer, Lorenz, Mathews, T., McClain, Williams

A BILL

To amend sections 301.30, 504.04, 715.013, 718.01, 1315.01, and 5747.01 and to enact sections 101.88, 1352.01, 1352.02, 1352.03, and 1352.04 of the Revised Code to enact the Ohio Blockchain Basics Act to address mining, taxation, and regulation of digital assets and digital asset investments by the state retirement systems.

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

Section 1. That sections 301.30, 504.04, 715.013, 718.01, 1315.01, and 5747.01 be amended and sections 101.88, 1352.01, 1352.02, 1352.03, and 1352.04 of the Revised Code be enacted to read as follows:

Sec. 101.88. The general assembly shall not enact a bill that proposes to impose a fee, tax, assessment, or other charge on digital assets used as a method of payment for goods and services that is based on the use of the digital assets as a method of payment, on the sales, use, or consumption of such digital assets, or on the basis of receipts received from the sale of such digital assets. As used in this section, "digital

asset" has the same meaning as in section 1352.01 of the Revised 19
Code. 20

This section does not prohibit the general assembly from 21
enacting a bill imposing a fee, tax, assessment, or other charge 22
if the fee, tax, assessment, or charge would apply if the 23
transaction had taken place with legal tender of the United 24
States. 25

Sec. 301.30. No county that has adopted a charter under 26
Section 3 of Article X, Ohio Constitution, may ~~impose~~ do either 27
of the following: 28

(A) Impose a fee, tax, assessment, or other charge on 29
auxiliary containers, on the sales, use, or consumption of such 30
containers, except as authorized in Chapters 5739. and 5741. of 31
the Revised Code, or on the basis of receipts received from the 32
sale of such containers. As used in this section, "auxiliary 33
container" has the same meaning as in section 3767.32 of the 34
Revised Code. 35

(B) Impose a fee, tax, assessment, or other charge on 36
digital assets used as a method of payment for goods and 37
services that is based on the use of the digital assets as a 38
method of payment, on the sales, use, or consumption of such 39
digital assets, or on the basis of receipts received from the 40
sale of such digital assets. As used in this section, "digital 41
asset" has the same meaning as in section 1352.01 of the Revised 42
Code. 43

Division (B) of this section does not prohibit the 44
imposition of a fee, tax, assessment, or other charge if the 45
fee, tax, assessment, or charge would apply if the transaction 46
had taken place with legal tender of the United States. 47

Sec. 504.04. (A) A township that adopts a limited home 48
rule government may do all of the following by resolution, 49
provided that any of these resolutions, other than a resolution 50
to supply water or sewer services in accordance with sections 51
504.18 to 504.20 of the Revised Code, may be enforced only by 52
the imposition of civil fines as authorized in this chapter: 53

(1) Exercise all powers of local self-government within 54
the unincorporated area of the township, other than powers that 55
are in conflict with general laws, except that the township 56
shall comply with the requirements and prohibitions of this 57
chapter, and shall enact no taxes other than those authorized by 58
general law, and except that no resolution adopted pursuant to 59
this chapter shall encroach upon the powers, duties, and 60
privileges of elected township officers or change, alter, 61
combine, eliminate, or otherwise modify the form or structure of 62
the township government unless the change is required or 63
permitted by this chapter; 64

(2) Adopt and enforce within the unincorporated area of 65
the township local police, sanitary, and other similar 66
regulations that are not in conflict with general laws or 67
otherwise prohibited by division (B) of this section; 68

(3) Supply water and sewer services to users within the 69
unincorporated area of the township in accordance with sections 70
504.18 to 504.20 of the Revised Code; 71

(4) Adopt and enforce within the unincorporated area of 72
the township any resolution of a type described in section 73
503.52 or 503.60 of the Revised Code. 74

(B) No resolution adopted pursuant to this chapter shall 75
do any of the following: 76

(1) Create a criminal offense or impose criminal	77
penalties, except as authorized by division (A) of this section	78
or by section 503.52 of the Revised Code;	79
(2) Impose civil fines other than as authorized by this	80
chapter;	81
(3) Establish or revise subdivision regulations, road	82
construction standards, urban sediment rules, or storm water and	83
drainage regulations, except as provided in section 504.21 of	84
the Revised Code;	85
(4) Establish or revise building standards, building	86
codes, and other standard codes except as provided in section	87
504.13 of the Revised Code;	88
(5) Increase, decrease, or otherwise alter the powers or	89
duties of a township under any other chapter of the Revised Code	90
pertaining to agriculture or the conservation or development of	91
natural resources;	92
(6) Establish regulations affecting hunting, trapping,	93
fishing, or the possession, use, or sale of firearms;	94
(7) Establish or revise water or sewer regulations, except	95
in accordance with section 504.18, 504.19, or 504.21 of the	96
Revised Code;	97
(8) Impose a fee, assessment, or other charge on auxiliary	98
containers, on the sale, use, or consumption of such containers,	99
or on the basis of receipts received from the sale of such	100
containers. As used in this division, "auxiliary container" has	101
the same meaning as in section 3767.32 of the Revised Code.	102
(9) <u>Impose a fee, tax, assessment, or other charge on</u>	103
<u>digital assets used as a method of payment for goods and</u>	104

services that is based on the use of the digital assets as a 105
method of payment, on the sales, use, or consumption of such 106
digital assets, or on the basis of receipts received from the 107
sale of such digital assets. As used in this section, "digital 108
asset" has the same meaning as in section 1352.01 of the Revised 109
Code. 110

Division (B) (9) of this section does not prohibit the 111
imposition of a fee, tax, assessment, or other charge if the 112
fee, tax, assessment, or charge would apply if the transaction 113
had taken place with legal tender of the United States. 114

Nothing in this chapter shall be construed as affecting 115
the powers of counties with regard to the subjects listed in 116
divisions (B) (3) to (5) of this section. 117

(C) Under a limited home rule government, all officers 118
shall have the qualifications, and be nominated, elected, or 119
appointed, as provided in Chapter 505. of the Revised Code, 120
except that the board of township trustees shall appoint a full- 121
time or part-time law director pursuant to section 504.15 of the 122
Revised Code, and except that a five-member board of township 123
trustees approved for the township before September 26, 2003, 124
shall continue to serve as the legislative authority with 125
successive members serving for four-year terms of office until a 126
termination of a limited home rule government under section 127
504.03 of the Revised Code. 128

(D) In case of conflict between resolutions enacted by a 129
board of township trustees and municipal ordinances or 130
resolutions, the ordinance or resolution enacted by the 131
municipal corporation prevails. In case of conflict between 132
resolutions enacted by a board of township trustees and any 133
county resolution, the resolution enacted by the board of 134

township trustees prevails. 135

Sec. 715.013. (A) Except as otherwise expressly authorized 136
by the Revised Code, no municipal corporation shall levy a tax 137
that is the same as or similar to a tax levied under Chapter 138
322., 3734., 3769., 4123., 4141., 4301., 4303., 4305., 4307., 139
4309., 5707., 5725., 5726., 5727., 5728., 5729., 5731., 5735., 140
5736., 5737., 5739., 5741., 5743., 5747., 5749., or 5751. of the 141
Revised Code. 142

(B) No municipal corporation may impose ~~any~~ either of the 143
following: 144

(1) A tax, fee, assessment, or other charge on auxiliary 145
containers, on the sale, use, or consumption of such containers, 146
or on the basis of receipts received from the sale of such 147
containers. As used in this division, "auxiliary container" has 148
the same meaning as in section 3767.32 of the Revised Code. 149

(2) A fee, tax, assessment, or other charge on digital 150
assets used as a method of payment for goods and services that 151
is based on the use of the digital assets as a method of 152
payment, on the sales, use, or consumption of such digital 153
assets, or on the basis of receipts received from the sale of 154
such digital assets. As used in this section, "digital asset" 155
has the same meaning as in section 1352.01 of the Revised Code. 156

Division (B) (2) of this section does not prohibit the 157
imposition of a fee, tax, assessment, or other charge if the 158
fee, tax, assessment, or charge would apply if the transaction 159
had taken place with legal tender of the United States. 160

(C) This section does not prohibit a municipal corporation 161
from levying an income tax or withholding tax in accordance with 162
Chapter 718. of the Revised Code, or a tax on any of the 163

following: 164

(1) Amounts received for admission to any place; 165

(2) The income of an electric company or combined company,
as defined in section 5727.01 of the Revised Code; 166
167

(3) On and after January 1, 2004, the income of a 168
telephone company, as defined in section 5727.01 of the Revised 169
Code. 170

Sec. 718.01. Any term used in this chapter that is not 171
otherwise defined in this chapter has the same meaning as when 172
used in a comparable context in laws of the United States 173
relating to federal income taxation or in Title LVII of the 174
Revised Code, unless a different meaning is clearly required. 175
Except as provided in section 718.81 of the Revised Code, if a 176
term used in this chapter that is not otherwise defined in this 177
chapter is used in a comparable context in both the laws of the 178
United States relating to federal income tax and in Title LVII 179
of the Revised Code and the use is not consistent, then the use 180
of the term in the laws of the United States relating to federal 181
income tax shall control over the use of the term in Title LVII 182
of the Revised Code. 183

Except as otherwise provided in section 718.81 of the 184
Revised Code, as used in this chapter: 185

(A) (1) "Municipal taxable income" means the following: 186

(a) For a person other than an individual, income 187
apportioned or situated to the municipal corporation under 188
section 718.02 of the Revised Code, as applicable, reduced by 189
any pre-2017 net operating loss carryforward available to the 190
person for the municipal corporation. 191

(b) (i) For an individual who is a resident of a municipal corporation other than a qualified municipal corporation, income reduced by exempt income to the extent otherwise included in income, then reduced as provided in division (A) (2) of this section, and further reduced by any pre-2017 net operating loss carryforward available to the individual for the municipal corporation.

(ii) For an individual who is a resident of a qualified municipal corporation, Ohio adjusted gross income reduced by income exempted, and increased by deductions excluded, by the qualified municipal corporation from the qualified municipal corporation's tax. If a qualified municipal corporation, on or before December 31, 2013, exempts income earned by individuals who are not residents of the qualified municipal corporation and net profit of persons that are not wholly located within the qualified municipal corporation, such individual or person shall have no municipal taxable income for the purposes of the tax levied by the qualified municipal corporation and may be exempted by the qualified municipal corporation from the requirements of section 718.03 of the Revised Code.

(c) For an individual who is a nonresident of a municipal corporation, income reduced by exempt income to the extent otherwise included in income and then, as applicable, apportioned or situated to the municipal corporation under section 718.02 of the Revised Code, then reduced as provided in division (A) (2) of this section, and further reduced by any pre-2017 net operating loss carryforward available to the individual for the municipal corporation.

(2) In computing the municipal taxable income of a taxpayer who is an individual, the taxpayer may subtract, as

provided in division (A) (1) (b) (i) or (c) of this section, the 222
amount of the individual's employee business expenses reported 223
on the individual's form 2106 that the individual deducted for 224
federal income tax purposes for the taxable year, subject to the 225
limitation imposed by section 67 of the Internal Revenue Code. 226
For the municipal corporation in which the taxpayer is a 227
resident, the taxpayer may deduct all such expenses allowed for 228
federal income tax purposes. For a municipal corporation in 229
which the taxpayer is not a resident, the taxpayer may deduct 230
such expenses only to the extent the expenses are related to the 231
taxpayer's performance of personal services in that nonresident 232
municipal corporation. 233

(B) "Income" means the following: 234

(1) (a) For residents, all income, salaries, qualifying 235
wages, commissions, and other compensation from whatever source 236
earned or received by the resident, including the resident's 237
distributive share of the net profit of pass-through entities 238
owned directly or indirectly by the resident and any net profit 239
of the resident, except as provided in division (D) (5) of this 240
section. 241

(b) For the purposes of division (B) (1) (a) of this 242
section: 243

(i) Any net operating loss of the resident incurred in the 244
taxable year and the resident's distributive share of any net 245
operating loss generated in the same taxable year and 246
attributable to the resident's ownership interest in a pass- 247
through entity shall be allowed as a deduction, for that taxable 248
year and the following five taxable years, against any other net 249
profit of the resident or the resident's distributive share of 250
any net profit attributable to the resident's ownership interest 251

in a pass-through entity until fully utilized, subject to 252
division (B) (1) (d) of this section; 253

(ii) The resident's distributive share of the net profit 254
of each pass-through entity owned directly or indirectly by the 255
resident shall be calculated without regard to any net operating 256
loss that is carried forward by that entity from a prior taxable 257
year and applied to reduce the entity's net profit for the 258
current taxable year. 259

(c) Division (B) (1) (b) of this section does not apply with 260
respect to any net profit or net operating loss attributable to 261
an ownership interest in an S corporation unless shareholders' 262
distributive shares of net profits from S corporations are 263
subject to tax in the municipal corporation as provided in 264
division (C) (14) (b) or (c) of this section. 265

(d) Any amount of a net operating loss used to reduce a 266
taxpayer's net profit for a taxable year shall reduce the amount 267
of net operating loss that may be carried forward to any 268
subsequent year for use by that taxpayer. In no event shall the 269
cumulative deductions for all taxable years with respect to a 270
taxpayer's net operating loss exceed the original amount of that 271
net operating loss available to that taxpayer. 272

(2) In the case of nonresidents, all income, salaries, 273
qualifying wages, commissions, and other compensation from 274
whatever source earned or received by the nonresident for work 275
done, services performed or rendered, or activities conducted in 276
the municipal corporation, including any net profit of the 277
nonresident, but excluding the nonresident's distributive share 278
of the net profit or loss of only pass-through entities owned 279
directly or indirectly by the nonresident. 280

(3) For taxpayers that are not individuals, net profit of 281
the taxpayer; 282

(4) Lottery, sweepstakes, gambling and sports winnings, 283
winnings from games of chance, and prizes and awards. If the 284
taxpayer is a professional gambler for federal income tax 285
purposes, the taxpayer may deduct related wagering losses and 286
expenses to the extent authorized under the Internal Revenue 287
Code and claimed against such winnings. 288

(C) "Exempt income" means all of the following: 289

(1) The military pay or allowances of members of the armed 290
forces of the United States or members of their reserve 291
components, including the national guard of any state; 292

(2) (a) Except as provided in division (C) (2) (b) of this 293
section, intangible income; 294

(b) A municipal corporation that taxed any type of 295
intangible income on March 29, 1988, pursuant to Section 3 of 296
S.B. 238 of the 116th general assembly, may continue to tax that 297
type of income, except for capital gains received from the sale 298
of a digital asset, as defined in section 1352.01 of the Revised 299
Code, used as a method of payment for goods or services, 300
provided the amount of payment in the transaction does not 301
exceed the deduction threshold, as applicable to the taxable 302
year under division (A) (44) of section 5747.01 of the Revised 303
Code, if a majority of the electors of the municipal corporation 304
voting on the question of whether to permit the taxation of that 305
type of intangible income after 1988 voted in favor thereof at 306
an election held on November 8, 1988. 307

(3) Social security benefits, railroad retirement 308
benefits, unemployment compensation, pensions, retirement 309

benefit payments, payments from annuities, and similar payments 310
made to an employee or to the beneficiary of an employee under a 311
retirement program or plan, disability payments received from 312
private industry or local, state, or federal governments or from 313
charitable, religious or educational organizations, and the 314
proceeds of sickness, accident, or liability insurance policies. 315
As used in division (C) (3) of this section, "unemployment 316
compensation" does not include supplemental unemployment 317
compensation described in section 3402(o) (2) of the Internal 318
Revenue Code. 319

(4) The income of religious, fraternal, charitable, 320
scientific, literary, or educational institutions to the extent 321
such income is derived from tax-exempt real estate, tax-exempt 322
tangible or intangible property, or tax-exempt activities. 323

(5) Compensation paid under section 3501.28 or 3501.36 of 324
the Revised Code to a person serving as a precinct election 325
official to the extent that such compensation does not exceed 326
one thousand dollars for the taxable year. Such compensation in 327
excess of one thousand dollars for the taxable year may be 328
subject to taxation by a municipal corporation. A municipal 329
corporation shall not require the payer of such compensation to 330
withhold any tax from that compensation. 331

(6) Dues, contributions, and similar payments received by 332
charitable, religious, educational, or literary organizations or 333
labor unions, lodges, and similar organizations; 334

(7) Alimony and child support received; 335

(8) Compensation for personal injuries or for damages to 336
property from insurance proceeds or otherwise, excluding 337
compensation paid for lost salaries or wages or compensation 338

from punitive damages; 339

(9) Income of a public utility when that public utility is 340
subject to the tax levied under section 5727.24 or 5727.30 of 341
the Revised Code. Division (C) (9) of this section does not apply 342
for purposes of Chapter 5745. of the Revised Code. 343

(10) Gains from involuntary conversions, interest on 344
federal obligations, items of income subject to a tax levied by 345
the state and that a municipal corporation is specifically 346
prohibited by law from taxing, and income of a decedent's estate 347
during the period of administration except such income from the 348
operation of a trade or business; 349

(11) Compensation or allowances excluded from federal 350
gross income under section 107 of the Internal Revenue Code; 351

(12) Employee compensation that is not qualifying wages as 352
defined in division (R) of this section; 353

(13) Compensation paid to a person employed within the 354
boundaries of a United States air force base under the 355
jurisdiction of the United States air force that is used for the 356
housing of members of the United States air force and is a 357
center for air force operations, unless the person is subject to 358
taxation because of residence or domicile. If the compensation 359
is subject to taxation because of residence or domicile, tax on 360
such income shall be payable only to the municipal corporation 361
of residence or domicile. 362

(14) (a) Except as provided in division (C) (14) (b) or (c) 363
of this section, an S corporation shareholder's distributive 364
share of net profits of the S corporation, other than any part 365
of the distributive share of net profits that represents wages 366
as defined in section 3121(a) of the Internal Revenue Code or 367

net earnings from self-employment as defined in section 1402(a) 368
of the Internal Revenue Code. 369

(b) If, pursuant to division (H) of former section 718.01 370
of the Revised Code as it existed before March 11, 2004, a 371
majority of the electors of a municipal corporation voted in 372
favor of the question at an election held on November 4, 2003, 373
the municipal corporation may continue after 2002 to tax an S 374
corporation shareholder's distributive share of net profits of 375
an S corporation. 376

(c) If, on December 6, 2002, a municipal corporation was 377
imposing, assessing, and collecting a tax on an S corporation 378
shareholder's distributive share of net profits of the S 379
corporation to the extent the distributive share would be 380
allocated or apportioned to this state under divisions (B) (1) 381
and (2) of section 5733.05 of the Revised Code if the S 382
corporation were a corporation subject to taxes imposed under 383
Chapter 5733. of the Revised Code, the municipal corporation may 384
continue to impose the tax on such distributive shares to the 385
extent such shares would be so allocated or apportioned to this 386
state only until December 31, 2004, unless a majority of the 387
electors of the municipal corporation voting on the question of 388
continuing to tax such shares after that date voted in favor of 389
that question at an election held November 2, 2004. If a 390
majority of those electors voted in favor of the question, the 391
municipal corporation may continue after December 31, 2004, to 392
impose the tax on such distributive shares only to the extent 393
such shares would be so allocated or apportioned to this state. 394

(d) A municipal corporation shall be deemed to have 395
elected to tax S corporation shareholders' distributive shares 396
of net profits of the S corporation in the hands of the 397

shareholders if a majority of the electors of a municipal 398
corporation voted in favor of a question at an election held 399
under division (C) (14) (b) or (c) of this section. The municipal 400
corporation shall specify by resolution or ordinance that the 401
tax applies to the distributive share of a shareholder of an S 402
corporation in the hands of the shareholder of the S 403
corporation. 404

(15) The income of individuals under eighteen years of 405
age. 406

(16) (a) Except as provided in divisions (C) (16) (b), (c), 407
and (d) of this section, qualifying wages described in division 408
(B) (1) or (E) of section 718.011 of the Revised Code to the 409
extent the qualifying wages are not subject to withholding for 410
the municipal corporation under either of those divisions. 411

(b) The exemption provided in division (C) (16) (a) of this 412
section does not apply with respect to the municipal corporation 413
in which the employee resided at the time the employee earned 414
the qualifying wages. 415

(c) The exemption provided in division (C) (16) (a) of this 416
section does not apply to qualifying wages that an employer 417
elects to withhold under division (D) (2) of section 718.011 of 418
the Revised Code. 419

(d) The exemption provided in division (C) (16) (a) of this 420
section does not apply to qualifying wages if both of the 421
following conditions apply: 422

(i) For qualifying wages described in division (B) (1) of 423
section 718.011 of the Revised Code, the employee's employer 424
withholds and remits tax on the qualifying wages to the 425
municipal corporation in which the employee's principal place of 426

work is situated, or, for qualifying wages described in division 427
(E) of section 718.011 of the Revised Code, the employee's 428
employer withholds and remits tax on the qualifying wages to the 429
municipal corporation in which the employer's fixed location is 430
located; 431

(ii) The employee receives a refund of the tax described 432
in division (C) (16) (d) (i) of this section on the basis of the 433
employee not performing services in that municipal corporation. 434

(17) (a) Except as provided in division (C) (17) (b) or (c) 435
of this section, compensation that is not qualifying wages paid 436
to a nonresident individual for personal services performed in 437
the municipal corporation on not more than twenty days in a 438
taxable year. 439

(b) The exemption provided in division (C) (17) (a) of this 440
section does not apply under either of the following 441
circumstances: 442

(i) The individual's base of operation is located in the 443
municipal corporation. 444

(ii) The individual is a professional athlete, 445
professional entertainer, or public figure, and the compensation 446
is paid for the performance of services in the individual's 447
capacity as a professional athlete, professional entertainer, or 448
public figure. For purposes of division (C) (17) (b) (ii) of this 449
section, "professional athlete," "professional entertainer," and 450
"public figure" have the same meanings as in section 718.011 of 451
the Revised Code. 452

(c) Compensation to which division (C) (17) of this section 453
applies shall be treated as earned or received at the 454
individual's base of operation. If the individual does not have 455

a base of operation, the compensation shall be treated as earned 456
or received where the individual is domiciled. 457

(d) For purposes of division (C) (17) of this section, 458
"base of operation" means the location where an individual owns 459
or rents an office, storefront, or similar facility to which the 460
individual regularly reports and at which the individual 461
regularly performs personal services for compensation. 462

(18) Compensation paid to a person for personal services 463
performed for a political subdivision on property owned by the 464
political subdivision, regardless of whether the compensation is 465
received by an employee of the subdivision or another person 466
performing services for the subdivision under a contract with 467
the subdivision, if the property on which services are performed 468
is annexed to a municipal corporation pursuant to section 469
709.023 of the Revised Code on or after March 27, 2013, unless 470
the person is subject to such taxation because of residence. If 471
the compensation is subject to taxation because of residence, 472
municipal income tax shall be payable only to the municipal 473
corporation of residence. 474

(19) In the case of a tax administered, collected, and 475
enforced by a municipal corporation pursuant to an agreement 476
with the board of directors of a joint economic development 477
district under section 715.72 of the Revised Code, the net 478
profits of a business, and the income of the employees of that 479
business, exempted from the tax under division (Q) of that 480
section. 481

(20) All of the following: 482

(a) Income derived from disaster work conducted in this 483
state by an out-of-state disaster business during a disaster 484

response period pursuant to a qualifying solicitation received 485
by the business; 486

(b) Income of a qualifying employee described in division 487
(A) (14) (a) of section 5703.94 of the Revised Code, to the extent 488
such income is derived from disaster work conducted in this 489
state by the employee during a disaster response period pursuant 490
to a qualifying solicitation received by the employee's 491
employer; 492

(c) Income of a qualifying employee described in division 493
(A) (14) (b) of section 5703.94 of the Revised Code, to the extent 494
such income is derived from disaster work conducted in this 495
state by the employee during a disaster response period on 496
critical infrastructure owned or used by the employee's 497
employer. 498

(21) Income the taxation of which is prohibited by the 499
constitution or laws of the United States. 500

Any item of income that is exempt income of a pass-through 501
entity under division (C) of this section is exempt income of 502
each owner of the pass-through entity to the extent of that 503
owner's distributive or proportionate share of that item of the 504
entity's income. 505

(D) (1) "Net profit" for a person who is an individual 506
means the individual's net profit required to be reported on 507
schedule C, schedule E, or schedule F reduced by any net 508
operating loss carried forward. For the purposes of division (D) 509
(1) of this section, the net operating loss carried forward 510
shall be calculated and deducted in the same manner as provided 511
in division (D) (3) of this section. 512

(2) "Net profit" for a person other than an individual 513

means adjusted federal taxable income reduced by any net 514
operating loss incurred by the person in a taxable year 515
beginning on or after January 1, 2017, subject to the 516
limitations of division (D) (3) of this section. 517

(3) (a) The amount of such net operating loss shall be 518
deducted from net profit to the extent necessary to reduce 519
municipal taxable income to zero, with any remaining unused 520
portion of the net operating loss carried forward to not more 521
than five consecutive taxable years following the taxable year 522
in which the loss was incurred, but in no case for more years 523
than necessary for the deduction to be fully utilized. 524

(b) No person shall use the deduction allowed by division 525
(D) (3) of this section to offset qualifying wages. 526

(c) (i) For taxable years beginning in 2018, 2019, 2020, 527
2021, or 2022, a person may not deduct, for purposes of an 528
income tax levied by a municipal corporation that levies an 529
income tax before January 1, 2016, more than fifty per cent of 530
the amount of the deduction otherwise allowed by division (D) (3) 531
of this section. 532

(ii) For taxable years beginning in 2023 or thereafter, a 533
person may deduct, for purposes of an income tax levied by a 534
municipal corporation that levies an income tax before January 535
1, 2016, the full amount allowed by division (D) (3) of this 536
section without regard to the limitation of division (D) (3) (c) 537
(i) of this section. 538

(d) Any pre-2017 net operating loss carryforward deduction 539
that is available may be utilized before a taxpayer may deduct 540
any amount pursuant to division (D) (3) of this section. 541

(e) Nothing in division (D) (3) (c) (i) of this section 542

precludes a person from carrying forward, for use with respect 543
to any return filed for a taxable year beginning after 2018, any 544
amount of net operating loss that was not fully utilized by 545
operation of division (D) (3) (c) (i) of this section. To the 546
extent that an amount of net operating loss that was not fully 547
utilized in one or more taxable years by operation of division 548
(D) (3) (c) (i) of this section is carried forward for use with 549
respect to a return filed for a taxable year beginning in 2019, 550
2020, 2021, or 2022, the limitation described in division (D) (3) 551
(c) (i) of this section shall apply to the amount carried 552
forward. 553

(4) For the purposes of this chapter, and notwithstanding 554
division (D) (2) of this section, net profit of a disregarded 555
entity shall not be taxable as against that disregarded entity, 556
but shall instead be included in the net profit of the owner of 557
the disregarded entity. 558

(5) For the purposes of this chapter, and notwithstanding 559
any other provision of this chapter, the net profit of a 560
publicly traded partnership that makes the election described in 561
division (D) (5) of this section shall be taxed as if the 562
partnership were a C corporation, and shall not be treated as 563
the net profit or income of any owner of the partnership. 564

A publicly traded partnership that is treated as a 565
partnership for federal income tax purposes and that is subject 566
to tax on its net profits in one or more municipal corporations 567
in this state may elect to be treated as a C corporation for 568
municipal income tax purposes. The publicly traded partnership 569
shall make the election in every municipal corporation in which 570
the partnership is subject to taxation on its net profits. The 571
election shall be made on the annual tax return filed in each 572

such municipal corporation. The publicly traded partnership 573
shall not be required to file the election with any municipal 574
corporation in which the partnership is not subject to taxation 575
on its net profits, but division (D) (5) of this section applies 576
to all municipal corporations in which an individual owner of 577
the partnership resides. 578

(E) "Adjusted federal taxable income," for a person 579
required to file as a C corporation, or for a person that has 580
elected to be taxed as a C corporation under division (D) (5) of 581
this section, means a C corporation's federal taxable income 582
before net operating losses and special deductions as determined 583
under the Internal Revenue Code, adjusted as follows: 584

(1) Deduct intangible income to the extent included in 585
federal taxable income. The deduction shall be allowed 586
regardless of whether the intangible income relates to assets 587
used in a trade or business or assets held for the production of 588
income. 589

(2) Add an amount equal to five per cent of intangible 590
income deducted under division (E) (1) of this section, but 591
excluding that portion of intangible income directly related to 592
the sale, exchange, or other disposition of property described 593
in section 1221 of the Internal Revenue Code; 594

(3) Add any losses allowed as a deduction in the 595
computation of federal taxable income if the losses directly 596
relate to the sale, exchange, or other disposition of an asset 597
described in section 1221 or 1231 of the Internal Revenue Code; 598

(4) (a) Except as provided in division (E) (4) (b) of this 599
section, deduct income and gain included in federal taxable 600
income to the extent the income and gain directly relate to the 601

sale, exchange, or other disposition of an asset described in 602
section 1221 or 1231 of the Internal Revenue Code; 603

(b) Division (E) (4) (a) of this section does not apply to 604
the extent the income or gain is income or gain described in 605
section 1245 or 1250 of the Internal Revenue Code. 606

(5) Add taxes on or measured by net income allowed as a 607
deduction in the computation of federal taxable income; 608

(6) In the case of a real estate investment trust or 609
regulated investment company, add all amounts with respect to 610
dividends to, distributions to, or amounts set aside for or 611
credited to the benefit of investors and allowed as a deduction 612
in the computation of federal taxable income; 613

(7) Deduct, to the extent not otherwise deducted or 614
excluded in computing federal taxable income, any income derived 615
from a transfer agreement or from the enterprise transferred 616
under that agreement under section 4313.02 of the Revised Code; 617

(8) Deduct exempt income to the extent not otherwise 618
deducted or excluded in computing adjusted federal taxable 619
income. 620

(9) Deduct any net profit of a pass-through entity owned 621
directly or indirectly by the taxpayer and included in the 622
taxpayer's federal taxable income unless an affiliated group of 623
corporations includes that net profit in the group's federal 624
taxable income in accordance with division (E) (3) (b) of section 625
718.06 of the Revised Code. 626

(10) Add any loss incurred by a pass-through entity owned 627
directly or indirectly by the taxpayer and included in the 628
taxpayer's federal taxable income unless an affiliated group of 629
corporations includes that loss in the group's federal taxable 630

income in accordance with division (E) (3) (b) of section 718.06 631
of the Revised Code. 632

If the taxpayer is not a C corporation, is not a 633
disregarded entity that has made the election described in 634
division (L) (2) of this section, is not a publicly traded 635
partnership that has made the election described in division (D) 636
(5) of this section, and is not an individual, the taxpayer 637
shall compute adjusted federal taxable income under this section 638
as if the taxpayer were a C corporation, except guaranteed 639
payments and other similar amounts paid or accrued to a partner, 640
former partner, shareholder, former shareholder, member, or 641
former member shall not be allowed as a deductible expense 642
unless such payments are a pension or retirement benefit payment 643
paid to a retired partner, retired shareholder, or retired 644
member or are in consideration for the use of capital and 645
treated as payment of interest under section 469 of the Internal 646
Revenue Code or United States treasury regulations. Amounts paid 647
or accrued to a qualified self-employed retirement plan with 648
respect to a partner, former partner, shareholder, former 649
shareholder, member, or former member of the taxpayer, amounts 650
paid or accrued to or for health insurance for a partner, former 651
partner, shareholder, former shareholder, member, or former 652
member, and amounts paid or accrued to or for life insurance for 653
a partner, former partner, shareholder, former shareholder, 654
member, or former member shall not be allowed as a deduction. 655

Nothing in division (E) of this section shall be construed 656
as allowing the taxpayer to add or deduct any amount more than 657
once or shall be construed as allowing any taxpayer to deduct 658
any amount paid to or accrued for purposes of federal self- 659
employment tax. 660

(F) "Schedule C" means internal revenue service schedule C 661
(form 1040) filed by a taxpayer pursuant to the Internal Revenue 662
Code. 663

(G) "Schedule E" means internal revenue service schedule E 664
(form 1040) filed by a taxpayer pursuant to the Internal Revenue 665
Code. 666

(H) "Schedule F" means internal revenue service schedule F 667
(form 1040) filed by a taxpayer pursuant to the Internal Revenue 668
Code. 669

(I) "Internal Revenue Code" has the same meaning as in 670
section 5747.01 of the Revised Code. 671

(J) "Resident" means an individual who is domiciled in the 672
municipal corporation as determined under section 718.012 of the 673
Revised Code. 674

(K) "Nonresident" means an individual that is not a 675
resident. 676

(L) (1) "Taxpayer" means a person subject to a tax levied 677
on income by a municipal corporation in accordance with this 678
chapter. "Taxpayer" does not include a grantor trust or, except 679
as provided in division (L) (2) (a) of this section, a disregarded 680
entity. 681

(2) (a) A single member limited liability company that is a 682
disregarded entity for federal tax purposes may be a separate 683
taxpayer from its single member in all Ohio municipal 684
corporations in which it either filed as a separate taxpayer or 685
did not file for its taxable year ending in 2003, if all of the 686
following conditions are met: 687

(i) The limited liability company's single member is also 688

a limited liability company. 689

(ii) The limited liability company and its single member 690
were formed and doing business in one or more Ohio municipal 691
corporations for at least five years before January 1, 2004. 692

(iii) Not later than December 31, 2004, the limited 693
liability company and its single member each made an election to 694
be treated as a separate taxpayer under division (L) of this 695
section as this section existed on December 31, 2004. 696

(iv) The limited liability company was not formed for the 697
purpose of evading or reducing Ohio municipal corporation income 698
tax liability of the limited liability company or its single 699
member. 700

(v) The Ohio municipal corporation that was the primary 701
place of business of the sole member of the limited liability 702
company consented to the election. 703

(b) For purposes of division (L) (2) (a) (v) of this section, 704
a municipal corporation was the primary place of business of a 705
limited liability company if, for the limited liability 706
company's taxable year ending in 2003, its income tax liability 707
was greater in that municipal corporation than in any other 708
municipal corporation in Ohio, and that tax liability to that 709
municipal corporation for its taxable year ending in 2003 was at 710
least four hundred thousand dollars. 711

(M) "Person" includes individuals, firms, companies, joint 712
stock companies, business trusts, estates, trusts, partnerships, 713
limited liability partnerships, limited liability companies, 714
associations, C corporations, S corporations, governmental 715
entities, and any other entity. 716

(N) "Pass-through entity" means a partnership not treated 717

as an association taxable as a C corporation for federal income 718
tax purposes, a limited liability company not treated as an 719
association taxable as a C corporation for federal income tax 720
purposes, an S corporation, or any other class of entity from 721
which the income or profits of the entity are given pass-through 722
treatment for federal income tax purposes. "Pass-through entity" 723
does not include a trust, estate, grantor of a grantor trust, or 724
disregarded entity. 725

(O) "S corporation" means a person that has made an 726
election under subchapter S of Chapter 1 of Subtitle A of the 727
Internal Revenue Code for its taxable year. 728

(P) "Single member limited liability company" means a 729
limited liability company that has one direct member. 730

(Q) "Limited liability company" means a limited liability 731
company formed under former Chapter 1705. of the Revised Code as 732
that chapter existed prior to February 11, 2022, Chapter 1706. 733
of the Revised Code, or the laws of another state. 734

(R) "Qualifying wages" means wages, as defined in section 735
3121(a) of the Internal Revenue Code, without regard to any wage 736
limitations, adjusted as follows: 737

(1) Deduct the following amounts: 738

(a) Any amount included in wages if the amount constitutes 739
compensation attributable to a plan or program described in 740
section 125 of the Internal Revenue Code. 741

(b) Any amount included in wages if the amount constitutes 742
payment on account of a disability related to sickness or an 743
accident paid by a party unrelated to the employer, agent of an 744
employer, or other payer. 745

(c) Any amount attributable to a nonqualified deferred 746
compensation plan or program described in section 3121(v) (2) (C) 747
of the Internal Revenue Code if the compensation is included in 748
wages and the municipal corporation has, by resolution or 749
ordinance adopted before January 1, 2016, exempted the amount 750
from withholding and tax. 751

(d) Any amount included in wages if the amount arises from 752
the sale, exchange, or other disposition of a stock option, the 753
exercise of a stock option, or the sale, exchange, or other 754
disposition of stock purchased under a stock option and the 755
municipal corporation has, by resolution or ordinance adopted 756
before January 1, 2016, exempted the amount from withholding and 757
tax. 758

(e) Any amount included in wages that is exempt income. 759

(2) Add the following amounts: 760

(a) Any amount not included in wages solely because the 761
employee was employed by the employer before April 1, 1986. 762

(b) Any amount not included in wages because the amount 763
arises from the sale, exchange, or other disposition of a stock 764
option, the exercise of a stock option, or the sale, exchange, 765
or other disposition of stock purchased under a stock option and 766
the municipal corporation has not, by resolution or ordinance, 767
exempted the amount from withholding and tax adopted before 768
January 1, 2016. Division (R) (2) (b) of this section applies only 769
to those amounts constituting ordinary income. 770

(c) Any amount not included in wages if the amount is an 771
amount described in section 401(k), 403(b), or 457 of the 772
Internal Revenue Code. Division (R) (2) (c) of this section 773
applies only to employee contributions and employee deferrals. 774

(d) Any amount that is supplemental unemployment 775
compensation benefits described in section 3402(o) (2) of the 776
Internal Revenue Code and not included in wages. 777

(e) Any amount received that is treated as self-employment 778
income for federal tax purposes in accordance with section 779
1402(a) (8) of the Internal Revenue Code. 780

(f) Any amount not included in wages if all of the 781
following apply: 782

(i) For the taxable year the amount is employee 783
compensation that is earned outside of the United States and 784
that either is included in the taxpayer's gross income for 785
federal income tax purposes or would have been included in the 786
taxpayer's gross income for such purposes if the taxpayer did 787
not elect to exclude the income under section 911 of the 788
Internal Revenue Code; 789

(ii) For no preceding taxable year did the amount 790
constitute wages as defined in section 3121(a) of the Internal 791
Revenue Code; 792

(iii) For no succeeding taxable year will the amount 793
constitute wages; and 794

(iv) For any taxable year the amount has not otherwise 795
been added to wages pursuant to either division (R) (2) of this 796
section or section 718.03 of the Revised Code, as that section 797
existed before the effective date of H.B. 5 of the 130th general 798
assembly, March 23, 2015. 799

(S) "Intangible income" means income of any of the 800
following types: income yield, interest, capital gains, 801
dividends, or other income arising from the ownership, sale, 802
exchange, or other disposition of intangible property including, 803

but not limited to, investments, deposits, money, or credits as 804
those terms are defined in Chapter 5701. of the Revised Code, 805
and patents, copyrights, trademarks, tradenames, investments in 806
real estate investment trusts, investments in regulated 807
investment companies, and appreciation on deferred compensation. 808
"Intangible income" does not include prizes, awards, or other 809
income associated with any lottery winnings, gambling winnings, 810
or other similar games of chance. 811

(T) "Taxable year" means the corresponding tax reporting 812
period as prescribed for the taxpayer under the Internal Revenue 813
Code. 814

(U) (1) "Tax administrator" means, subject to division (U) 815
(2) of this section, the individual charged with direct 816
responsibility for administration of an income tax levied by a 817
municipal corporation in accordance with this chapter, and also 818
includes the following: 819

(a) A municipal corporation acting as the agent of another 820
municipal corporation; 821

(b) A person retained by a municipal corporation to 822
administer a tax levied by the municipal corporation, but only 823
if the municipal corporation does not compensate the person in 824
whole or in part on a contingency basis; 825

(c) The central collection agency or the regional income 826
tax agency or their successors in interest, or another entity 827
organized to perform functions similar to those performed by the 828
central collection agency and the regional income tax agency. 829

(2) "Tax administrator" does not include the tax 830
commissioner. 831

(3) A private individual or entity serving in any position 832

described in division (U) (1) (b) or (c) of this section shall 833
have no access to criminal history record information. 834

(V) "Employer" means a person that is an employer for 835
federal income tax purposes. 836

(W) "Employee" means an individual who is an employee for 837
federal income tax purposes. 838

(X) "Other payer" means any person, other than an 839
individual's employer or the employer's agent, that pays an 840
individual any amount included in the federal gross income of 841
the individual. "Other payer" includes casino operators and 842
video lottery terminal sales agents. 843

(Y) "Calendar quarter" means the three-month period ending 844
on the last day of March, June, September, or December. 845

(Z) "Form 2106" means internal revenue service form 2106 846
filed by a taxpayer pursuant to the Internal Revenue Code. 847

(AA) "Municipal corporation" includes a joint economic 848
development district or joint economic development zone that 849
levies an income tax under section 715.691, 715.70, 715.71, or 850
715.72 of the Revised Code. 851

(BB) "Disregarded entity" means a single member limited 852
liability company, a qualifying subchapter S subsidiary, or 853
another entity if the company, subsidiary, or entity is a 854
disregarded entity for federal income tax purposes. 855

(CC) "Generic form" means an electronic or paper form that 856
is not prescribed by a particular municipal corporation and that 857
is designed for reporting taxes withheld by an employer, agent 858
of an employer, or other payer, estimated municipal income 859
taxes, or annual municipal income tax liability or for filing a 860

refund claim. 861

(DD) "Tax return preparer" means any individual described 862
in section 7701(a) (36) of the Internal Revenue Code and 26 863
C.F.R. 301.7701-15. 864

(EE) "Ohio business gateway" means the online computer 865
network system created under section 125.30 of the Revised Code 866
or any successor electronic filing and payment system. 867

(FF) "Local board of tax review" and "board of tax review" 868
mean the entity created under section 718.11 of the Revised 869
Code. 870

(GG) "Net operating loss" means a loss incurred by a 871
person in the operation of a trade or business. "Net operating 872
loss" does not include unutilized losses resulting from basis 873
limitations, at-risk limitations, or passive activity loss 874
limitations. 875

(HH) "Casino operator" and "casino facility" have the same 876
meanings as in section 3772.01 of the Revised Code. 877

(II) "Video lottery terminal" has the same meaning as in 878
section 3770.21 of the Revised Code. 879

(JJ) "Video lottery terminal sales agent" means a lottery 880
sales agent licensed under Chapter 3770. of the Revised Code to 881
conduct video lottery terminals on behalf of the state pursuant 882
to section 3770.21 of the Revised Code. 883

(KK) "Postal service" means the United States postal 884
service. 885

(LL) "Certified mail," "express mail," "United States 886
mail," "postal service," and similar terms include any delivery 887
service authorized pursuant to section 5703.056 of the Revised 888

Code. 889

(MM) "Postmark date," "date of postmark," and similar 890
terms include the date recorded and marked in the manner 891
described in division (B) (3) of section 5703.056 of the Revised 892
Code. 893

(NN) "Related member" means a person that, with respect to 894
the taxpayer during all or any portion of the taxable year, is 895
either a related entity, a component member as defined in 896
section 1563(b) of the Internal Revenue Code, or a person to or 897
from whom there is attribution of stock ownership in accordance 898
with section 1563(e) of the Internal Revenue Code except, for 899
purposes of determining whether a person is a related member 900
under this division, "twenty per cent" shall be substituted for 901
"5 percent" wherever "5 percent" appears in section 1563(e) of 902
the Internal Revenue Code. 903

(OO) "Related entity" means any of the following: 904

(1) An individual stockholder, or a member of the 905
stockholder's family enumerated in section 318 of the Internal 906
Revenue Code, if the stockholder and the members of the 907
stockholder's family own directly, indirectly, beneficially, or 908
constructively, in the aggregate, at least fifty per cent of the 909
value of the taxpayer's outstanding stock; 910

(2) A stockholder, or a stockholder's partnership, estate, 911
trust, or corporation, if the stockholder and the stockholder's 912
partnerships, estates, trusts, or corporations own directly, 913
indirectly, beneficially, or constructively, in the aggregate, 914
at least fifty per cent of the value of the taxpayer's 915
outstanding stock; 916

(3) A corporation, or a party related to the corporation 917

in a manner that would require an attribution of stock from the 918
corporation to the party or from the party to the corporation 919
under division (00) (4) of this section, provided the taxpayer 920
owns directly, indirectly, beneficially, or constructively, at 921
least fifty per cent of the value of the corporation's 922
outstanding stock; 923

(4) The attribution rules described in section 318 of the 924
Internal Revenue Code apply for the purpose of determining 925
whether the ownership requirements in divisions (00) (1) to (3) 926
of this section have been met. 927

(PP) (1) "Assessment" means a written finding by the tax 928
administrator that a person has underpaid municipal income tax, 929
or owes penalty and interest, or any combination of tax, 930
penalty, or interest, to the municipal corporation that 931
commences the person's time limitation for making an appeal to 932
the local board of tax review pursuant to section 718.11 of the 933
Revised Code, and has "ASSESSMENT" written in all capital 934
letters at the top of such finding. 935

(2) "Assessment" does not include an informal notice 936
denying a request for refund issued under division (B) (3) of 937
section 718.19 of the Revised Code, a billing statement 938
notifying a taxpayer of current or past-due balances owed to the 939
municipal corporation, a tax administrator's request for 940
additional information, a notification to the taxpayer of 941
mathematical errors, or a tax administrator's other written 942
correspondence to a person or taxpayer that does not meet the 943
criteria prescribed by division (PP) (1) of this section. 944

(QQ) "Taxpayers' rights and responsibilities" means the 945
rights provided to taxpayers in sections 718.11, 718.12, 718.19, 946
718.23, 718.36, 718.37, 718.38, 5717.011, and 5717.03 of the 947

Revised Code and the responsibilities of taxpayers to file, 948
report, withhold, remit, and pay municipal income tax and 949
otherwise comply with Chapter 718. of the Revised Code and 950
resolutions, ordinances, and rules adopted by a municipal 951
corporation for the imposition and administration of a municipal 952
income tax. 953

(RR) "Qualified municipal corporation" means a municipal 954
corporation that, by resolution or ordinance adopted on or 955
before December 31, 2011, adopted Ohio adjusted gross income, as 956
defined by section 5747.01 of the Revised Code, as the income 957
subject to tax for the purposes of imposing a municipal income 958
tax. 959

(SS) (1) "Pre-2017 net operating loss carryforward" means 960
any net operating loss incurred in a taxable year beginning 961
before January 1, 2017, to the extent such loss was permitted, 962
by a resolution or ordinance of the municipal corporation that 963
was adopted by the municipal corporation before January 1, 2016, 964
to be carried forward and utilized to offset income or net 965
profit generated in such municipal corporation in future taxable 966
years. 967

(2) For the purpose of calculating municipal taxable 968
income, any pre-2017 net operating loss carryforward may be 969
carried forward to any taxable year, including taxable years 970
beginning in 2017 or thereafter, for the number of taxable years 971
provided in the resolution or ordinance or until fully utilized, 972
whichever is earlier. 973

(TT) "Small employer" means any employer that had total 974
revenue of less than five hundred thousand dollars during the 975
preceding taxable year. For purposes of this division, "total 976
revenue" means receipts of any type or kind, including, but not 977

limited to, sales receipts; payments; rents; profits; gains, 978
dividends, and other investment income; compensation; 979
commissions; premiums; money; property; grants; contributions; 980
donations; gifts; program service revenue; patient service 981
revenue; premiums; fees, including premium fees and service 982
fees; tuition payments; unrelated business revenue; 983
reimbursements; any type of payment from a governmental unit, 984
including grants and other allocations; and any other similar 985
receipts reported for federal income tax purposes or under 986
generally accepted accounting principles. "Small employer" does 987
not include the federal government; any state government, 988
including any state agency or instrumentality; any political 989
subdivision; or any entity treated as a government for financial 990
accounting and reporting purposes. 991

(UU) "Audit" means the examination of a person or the 992
inspection of the books, records, memoranda, or accounts of a 993
person for the purpose of determining liability for a municipal 994
income tax. 995

(VV) "Publicly traded partnership" means any partnership, 996
an interest in which is regularly traded on an established 997
securities market. A "publicly traded partnership" may have any 998
number of partners. 999

(WW) "Tax commissioner" means the tax commissioner 1000
appointed under section 121.03 of the Revised Code. 1001

(XX) "Out-of-state disaster business," "qualifying 1002
solicitation," "qualifying employee," "disaster work," "critical 1003
infrastructure," and "disaster response period" have the same 1004
meanings as in section 5703.94 of the Revised Code. 1005

(YY) "Pension" means a retirement benefit plan, regardless 1006

of whether the plan satisfies the qualifications described under 1007
section 401(a) of the Internal Revenue Code, including amounts 1008
that are taxable under the "Federal Insurance Contributions 1009
Act," Chapter 21 of the Internal Revenue Code, excluding 1010
employee contributions and elective deferrals, and regardless of 1011
whether such amounts are paid in the same taxable year in which 1012
the amounts are included in the employee's wages, as defined by 1013
section 3121(a) of the Internal Revenue Code. 1014

(ZZ) "Retirement benefit plan" means an arrangement 1015
whereby an entity provides benefits to individuals either on or 1016
after their termination of service because of retirement or 1017
disability. "Retirement benefit plan" does not include wage 1018
continuation payments, severance payments, or payments made for 1019
accrued personal or vacation time. 1020

Sec. 1315.01. Except when the context otherwise requires, 1021
as used in sections 1315.01 to 1315.18 of the Revised Code: 1022

(A) "Authorized delegate" means a person designated by a 1023
licensee under section 1315.11 of the Revised Code to receive, 1024
directly or indirectly, money or its equivalent for transmission 1025
by the licensee. 1026

(B) "Control" means the power, directly or indirectly, to 1027
direct the management and policies of a licensee or the 1028
ownership, control of, or power to vote twenty-five per cent or 1029
more of any class of the outstanding voting securities of a 1030
controlling person. For purposes of determining the percentage 1031
of a licensee controlled by any person, the person's interest 1032
shall be aggregated with the interest of any other person 1033
controlled by the person or by any spouse, parent, or child of 1034
the person. 1035

(C) "Controlling person" means any person that controls a licensee. 1036
1037

(D) "Executive officer" means the licensee's president, 1038
treasurer, secretary, each senior officer responsible for the 1039
licensee's business, and any other person that performs similar 1040
functions. 1041

(E) "Licensee" means a person licensed under sections 1042
1315.01 to 1315.18 of the Revised Code to receive, directly or 1043
indirectly, for transmission, money or its equivalent from 1044
persons located in this state. 1045

(F) "Outstandings" means the total of all moneys received 1046
for transmission that are not yet delivered, paid, or accessed. 1047

(G) "Transmit money" means to receive, directly or 1048
indirectly and by any means, money or its equivalent from a 1049
person and to deliver, pay, or make accessible, by any means, 1050
method, manner, or device, whether or not a payment instrument 1051
is used, the money received or its equivalent to the same or 1052
another person, at the same or another time, and at the same or 1053
another place, but does not include transactions in which the 1054
recipient of the money or its equivalent is the principal or 1055
authorized representative of the principal in a transaction for 1056
which the money or its equivalent is received, other than the 1057
transmission of money or its equivalent. "Transmit money" also 1058
includes the sale of checks and other payment instruments. 1059
"Transmit money" does not include digital asset mining, staking, 1060
exchanging a digital asset for another digital asset, developing 1061
or deploying software which allows for the exchange of a digital 1062
asset for another digital asset, or operating a node on a 1063
blockchain protocol, as those terms are defined in section 1064
1352.01 of the Revised Code. 1065

Sec. 1352.01. As used in this chapter:

(A) "Blockchain" means data that is both of the following:

(1) Shared across a peer-to-peer network to create a ledger of verified transactions or information among network participants linked together using cryptography to maintain the integrity of the ledger and to execute other functions;

(2) Distributed among network participants in an automated fashion to concurrently update network participants on the state of the ledger and any other functions.

(B) "Blockchain protocol" means any executable software that is all of the following:

(1) Governed by a set of predefined rules which execute autonomously without human intervention and can be altered by some predetermined mechanism;

(2) Deployed to a blockchain, typically referred to as a smart contract, including an additional standardized set of rules based on a previously existing blockchain;

(3) Used to facilitate the transfer of data and electronic records and allow that data and those electronic records to be broadcast to nodes.

(C) "Digital asset" means virtual currencies, cryptocurrencies, native electronic assets, including stablecoins and non-fungible tokens, and other digital-only assets that confer economic, proprietary, or access rights or powers.

(D) "Digital asset mining" means using computer hardware and software specifically designed or utilized for the purpose of validating data and securing a blockchain network.

(E) "Digital asset mining business" means multiple digital 1094
asset mining devices at a single site that consume more than one 1095
megawatt of electricity on an average annual basis for the 1096
purpose of generating digital assets by securing a blockchain 1097
network. 1098

(F) "Digital asset mining device" means computing hardware 1099
specifically designed or utilized to participate in digital 1100
asset mining for the purpose of securing a blockchain network. 1101

(G) "Hardware wallet" means a physical device that is not 1102
continuously connected to the internet, allows an individual to 1103
secure and transfer digital assets, and under which the owner of 1104
the digital assets retains independent control over the digital 1105
assets. 1106

(H) "Node" means a computational device that communicates 1107
with other devices or participants on a blockchain to maintain 1108
consensus and integrity of that blockchain, create and validate 1109
transaction blocks, contain and update a copy of a blockchain, 1110
or any combination of the foregoing. 1111

(I) "Political subdivision" means a county, township, or 1112
municipal corporation. 1113

(J) "Self-hosted wallet" means a digital interface used to 1114
secure and transfer digital assets and under which the owner of 1115
the digital assets retains independent control over the digital 1116
assets. 1117

(K) "Staking" means committing digital assets to a 1118
blockchain network's operations by validating transactions, 1119
proposing and attesting to blocks, and securing the network. 1120

(L) "Staking services" means the provision of technical 1121
staking services, including the operation of nodes and 1122

associated infrastructure necessary to facilitate participation 1123
in blockchain networks' consensus mechanisms by the service 1124
provider on behalf of an individual or entity that owns the 1125
digital asset being staked. 1126

Sec. 1352.02. No department, agency, or instrumentality of 1127
this state and no political subdivision of this state shall 1128
prohibit, restrict, or otherwise impair the ability of an 1129
individual to do either of the following: 1130

(A) Accept digital assets as a method of payment for legal 1131
goods and services; 1132

(B) Take custody of digital assets using a hardware wallet 1133
or self-hosted wallet. 1134

Sec. 1352.03. (A) Any person may engage in digital asset 1135
mining in areas of this state zoned for residential use, 1136
provided that the person complies with all applicable local 1137
ordinances, resolutions, regulations, and orders in areas zoned 1138
for residential use, including those adopted in accordance with 1139
sections 505.172 and 715.49 of the Revised Code. 1140

(B) A digital asset mining business may operate in any 1141
area of this state that is zoned for industrial use, provided 1142
the digital asset mining business meets the requirements for 1143
industrial use. 1144

(C) A political subdivision of this state shall not adopt 1145
or enforce an ordinance, resolution, regulation, or order 1146
specific to digital asset mining businesses that does not also 1147
apply to other similarly situated businesses. 1148

(D) A political subdivision of this state shall not rezone 1149
or redistrict parcels in a manner that affects a digital asset 1150
mining business without going through the proper notice and 1151

comment process. 1152

(E) A digital asset mining business that believes a 1153
political subdivision rezoned or redistricted parcels in a 1154
manner that discriminates against the business may appeal the 1155
rezoning or redistricting to the court of common pleas of the 1156
county where the business is located. 1157

Sec. 1352.04. (A) No person is required to obtain a money 1158
transmitter license under Chapter 1315. of the Revised Code 1159
solely to engage in any of the following: 1160

- (1) Digital asset mining; 1161
- (2) Staking; 1162
- (3) Exchanging a digital asset for another digital asset; 1163
- (4) Developing or deploying software which allows for the 1164
exchange of a digital asset for another digital asset; 1165
- (5) Operating a node or series of nodes on a blockchain 1166
protocol. 1167

(B) A business providing or offering to provide digital 1168
asset mining or staking services is not considered to be 1169
offering a security or investment contract for the purposes of 1170
Chapter 1308. of the Revised Code. 1171

Sec. 5747.01. Except as otherwise expressly provided or 1172
clearly appearing from the context, any term used in this 1173
chapter that is not otherwise defined in this section has the 1174
same meaning as when used in a comparable context in the laws of 1175
the United States relating to federal income taxes or if not 1176
used in a comparable context in those laws, has the same meaning 1177
as in section 5733.40 of the Revised Code. Any reference in this 1178
chapter to the Internal Revenue Code includes other laws of the 1179

United States relating to federal income taxes.	1180
As used in this chapter:	1181
(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:	1182 1183 1184 1185
(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.	1186 1187 1188 1189
(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.	1190 1191 1192 1193 1194
(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.	1195 1196 1197 1198 1199 1200
(4) Deduct disability and survivor's benefits to the extent included in federal adjusted gross income.	1201 1202
(5) Deduct the following, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income:	1203 1204 1205
(a) Benefits under Title II of the Social Security Act and tier 1 railroad retirement;	1206 1207

(b) Railroad retirement benefits, other than tier 1 1208
railroad retirement benefits, to the extent such amounts are 1209
exempt from state taxation under federal law. 1210

(6) Deduct the amount of wages and salaries, if any, not 1211
otherwise allowable as a deduction but that would have been 1212
allowable as a deduction in computing federal adjusted gross 1213
income for the taxable year, had the work opportunity tax credit 1214
allowed and determined under sections 38, 51, and 52 of the 1215
Internal Revenue Code not been in effect. 1216

(7) Deduct any interest or interest equivalent on public 1217
obligations and purchase obligations to the extent that the 1218
interest or interest equivalent is included in federal adjusted 1219
gross income. 1220

(8) Add any loss or deduct any gain resulting from the 1221
sale, exchange, or other disposition of public obligations to 1222
the extent that the loss has been deducted or the gain has been 1223
included in computing federal adjusted gross income. 1224

(9) Deduct or add amounts, as provided under section 1225
5747.70 of the Revised Code, related to contributions made to or 1226
tuition units purchased under a qualified tuition program 1227
established pursuant to section 529 of the Internal Revenue 1228
Code. 1229

(10) (a) Deduct, to the extent not otherwise allowable as a 1230
deduction or exclusion in computing federal or Ohio adjusted 1231
gross income for the taxable year, the amount the taxpayer paid 1232
during the taxable year for medical care insurance and qualified 1233
long-term care insurance for the taxpayer, the taxpayer's 1234
spouse, and dependents. No deduction for medical care insurance 1235
under division (A) (10) (a) of this section shall be allowed 1236

either to any taxpayer who is eligible to participate in any 1237
subsidized health plan maintained by any employer of the 1238
taxpayer or of the taxpayer's spouse, or to any taxpayer who is 1239
entitled to, or on application would be entitled to, benefits 1240
under part A of Title XVIII of the "Social Security Act," 49 1241
Stat. 620 (1935), 42 U.S.C. 301, as amended. For the purposes of 1242
division (A)(10)(a) of this section, "subsidized health plan" 1243
means a health plan for which the employer pays any portion of 1244
the plan's cost. The deduction allowed under division (A)(10)(a) 1245
of this section shall be the net of any related premium refunds, 1246
related premium reimbursements, or related insurance premium 1247
dividends received during the taxable year. 1248

(b) Deduct, to the extent not otherwise deducted or 1249
excluded in computing federal or Ohio adjusted gross income 1250
during the taxable year, the amount the taxpayer paid during the 1251
taxable year, not compensated for by any insurance or otherwise, 1252
for medical care of the taxpayer, the taxpayer's spouse, and 1253
dependents, to the extent the expenses exceed seven and one-half 1254
per cent of the taxpayer's federal adjusted gross income. 1255

(c) For purposes of division (A)(10) of this section, 1256
"medical care" has the meaning given in section 213 of the 1257
Internal Revenue Code, subject to the special rules, 1258
limitations, and exclusions set forth therein, and "qualified 1259
long-term care" has the same meaning given in section 7702B(c) 1260
of the Internal Revenue Code. Solely for purposes of division 1261
(A)(10)(a) of this section, "dependent" includes a person who 1262
otherwise would be a "qualifying relative" and thus a 1263
"dependent" under section 152 of the Internal Revenue Code but 1264
for the fact that the person fails to meet the income and 1265
support limitations under section 152(d)(1)(B) and (C) of the 1266
Internal Revenue Code. 1267

(11) (a) Deduct any amount included in federal adjusted 1268
gross income solely because the amount represents a 1269
reimbursement or refund of expenses that in any year the 1270
taxpayer had deducted as an itemized deduction pursuant to 1271
section 63 of the Internal Revenue Code and applicable United 1272
States department of the treasury regulations. The deduction 1273
otherwise allowed under division (A) (11) (a) of this section 1274
shall be reduced to the extent the reimbursement is attributable 1275
to an amount the taxpayer deducted under this section in any 1276
taxable year. 1277

(b) Add any amount not otherwise included in Ohio adjusted 1278
gross income for any taxable year to the extent that the amount 1279
is attributable to the recovery during the taxable year of any 1280
amount deducted or excluded in computing federal or Ohio 1281
adjusted gross income in any taxable year. 1282

(12) Deduct any portion of the deduction described in 1283
section 1341(a) (2) of the Internal Revenue Code, for repaying 1284
previously reported income received under a claim of right, that 1285
meets both of the following requirements: 1286

(a) It is allowable for repayment of an item that was 1287
included in the taxpayer's adjusted gross income for a prior 1288
taxable year and did not qualify for a credit under division (A) 1289
or (B) of section 5747.05 of the Revised Code for that year; 1290

(b) It does not otherwise reduce the taxpayer's adjusted 1291
gross income for the current or any other taxable year. 1292

(13) Deduct an amount equal to the deposits made to, and 1293
net investment earnings of, a medical savings account during the 1294
taxable year, in accordance with section 3924.66 of the Revised 1295
Code. The deduction allowed by division (A) (13) of this section 1296

does not apply to medical savings account deposits and earnings 1297
otherwise deducted or excluded for the current or any other 1298
taxable year from the taxpayer's federal adjusted gross income. 1299

(14) (a) Add an amount equal to the funds withdrawn from a 1300
medical savings account during the taxable year, and the net 1301
investment earnings on those funds, when the funds withdrawn 1302
were used for any purpose other than to reimburse an account 1303
holder for, or to pay, eligible medical expenses, in accordance 1304
with section 3924.66 of the Revised Code; 1305

(b) Add the amounts distributed from a medical savings 1306
account under division (A) (2) of section 3924.68 of the Revised 1307
Code during the taxable year. 1308

(15) Add any amount claimed as a credit under section 1309
5747.059 of the Revised Code to the extent that such amount 1310
satisfies either of the following: 1311

(a) The amount was deducted or excluded from the 1312
computation of the taxpayer's federal adjusted gross income as 1313
required to be reported for the taxpayer's taxable year under 1314
the Internal Revenue Code; 1315

(b) The amount resulted in a reduction of the taxpayer's 1316
federal adjusted gross income as required to be reported for any 1317
of the taxpayer's taxable years under the Internal Revenue Code. 1318

(16) Deduct the amount contributed by the taxpayer to an 1319
individual development account program established by a county 1320
department of job and family services pursuant to sections 1321
329.11 to 329.14 of the Revised Code for the purpose of matching 1322
funds deposited by program participants. On request of the tax 1323
commissioner, the taxpayer shall provide any information that, 1324
in the tax commissioner's opinion, is necessary to establish the 1325

amount deducted under division (A)(16) of this section. 1326

(17)(a)(i) Subject to divisions (A)(17)(a)(iii), (iv), and 1327
(v) of this section, add five-sixths of the amount of 1328
depreciation expense allowed by subsection (k) of section 168 of 1329
the Internal Revenue Code, including the taxpayer's 1330
proportionate or distributive share of the amount of 1331
depreciation expense allowed by that subsection to a pass- 1332
through entity in which the taxpayer has a direct or indirect 1333
ownership interest. 1334

(ii) Subject to divisions (A)(17)(a)(iii), (iv), and (v) 1335
of this section, add five-sixths of the amount of qualifying 1336
section 179 depreciation expense, including the taxpayer's 1337
proportionate or distributive share of the amount of qualifying 1338
section 179 depreciation expense allowed to any pass-through 1339
entity in which the taxpayer has a direct or indirect ownership 1340
interest. 1341

(iii) Subject to division (A)(17)(a)(v) of this section, 1342
for taxable years beginning in 2012 or thereafter, if the 1343
increase in income taxes withheld by the taxpayer is equal to or 1344
greater than ten per cent of income taxes withheld by the 1345
taxpayer during the taxpayer's immediately preceding taxable 1346
year, "two-thirds" shall be substituted for "five-sixths" for 1347
the purpose of divisions (A)(17)(a)(i) and (ii) of this section. 1348

(iv) Subject to division (A)(17)(a)(v) of this section, 1349
for taxable years beginning in 2012 or thereafter, a taxpayer is 1350
not required to add an amount under division (A)(17) of this 1351
section if the increase in income taxes withheld by the taxpayer 1352
and by any pass-through entity in which the taxpayer has a 1353
direct or indirect ownership interest is equal to or greater 1354
than the sum of (I) the amount of qualifying section 179 1355

depreciation expense and (II) the amount of depreciation expense 1356
allowed to the taxpayer by subsection (k) of section 168 of the 1357
Internal Revenue Code, and including the taxpayer's 1358
proportionate or distributive shares of such amounts allowed to 1359
any such pass-through entities. 1360

(v) If a taxpayer directly or indirectly incurs a net 1361
operating loss for the taxable year for federal income tax 1362
purposes, to the extent such loss resulted from depreciation 1363
expense allowed by subsection (k) of section 168 of the Internal 1364
Revenue Code and by qualifying section 179 depreciation expense, 1365
"the entire" shall be substituted for "five-sixths of the" for 1366
the purpose of divisions (A) (17) (a) (i) and (ii) of this section. 1367

The tax commissioner, under procedures established by the 1368
commissioner, may waive the add-backs related to a pass-through 1369
entity if the taxpayer owns, directly or indirectly, less than 1370
five per cent of the pass-through entity. 1371

(b) Nothing in division (A) (17) of this section shall be 1372
construed to adjust or modify the adjusted basis of any asset. 1373

(c) To the extent the add-back required under division (A) 1374
(17) (a) of this section is attributable to property generating 1375
nonbusiness income or loss allocated under section 5747.20 of 1376
the Revised Code, the add-back shall be situated to the same 1377
location as the nonbusiness income or loss generated by the 1378
property for the purpose of determining the credit under 1379
division (A) of section 5747.05 of the Revised Code. Otherwise, 1380
the add-back shall be apportioned, subject to one or more of the 1381
four alternative methods of apportionment enumerated in section 1382
5747.21 of the Revised Code. 1383

(d) For the purposes of division (A) (17) (a) (v) of this 1384

section, net operating loss carryback and carryforward shall not 1385
include the allowance of any net operating loss deduction 1386
carryback or carryforward to the taxable year to the extent such 1387
loss resulted from depreciation allowed by section 168(k) of the 1388
Internal Revenue Code and by the qualifying section 179 1389
depreciation expense amount. 1390

(e) For the purposes of divisions (A)(17) and (18) of this 1391
section: 1392

(i) "Income taxes withheld" means the total amount 1393
withheld and remitted under sections 5747.06 and 5747.07 of the 1394
Revised Code by an employer during the employer's taxable year. 1395

(ii) "Increase in income taxes withheld" means the amount 1396
by which the amount of income taxes withheld by an employer 1397
during the employer's current taxable year exceeds the amount of 1398
income taxes withheld by that employer during the employer's 1399
immediately preceding taxable year. 1400

(iii) "Qualifying section 179 depreciation expense" means 1401
the difference between (I) the amount of depreciation expense 1402
directly or indirectly allowed to a taxpayer under section 179 1403
of the Internal Revised Code, and (II) the amount of 1404
depreciation expense directly or indirectly allowed to the 1405
taxpayer under section 179 of the Internal Revenue Code as that 1406
section existed on December 31, 2002. 1407

(18)(a) If the taxpayer was required to add an amount 1408
under division (A)(17)(a) of this section for a taxable year, 1409
deduct one of the following: 1410

(i) One-fifth of the amount so added for each of the five 1411
succeeding taxable years if the amount so added was five-sixths 1412
of qualifying section 179 depreciation expense or depreciation 1413

expense allowed by subsection (k) of section 168 of the Internal Revenue Code; 1414
1415

(ii) One-half of the amount so added for each of the two succeeding taxable years if the amount so added was two-thirds of such depreciation expense; 1416
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(iii) One-sixth of the amount so added for each of the six succeeding taxable years if the entire amount of such depreciation expense was so added. 1419
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(b) If the amount deducted under division (A) (18) (a) of this section is attributable to an add-back allocated under division (A) (17) (c) of this section, the amount deducted shall be situated to the same location. Otherwise, the add-back shall be apportioned using the apportionment factors for the taxable year in which the deduction is taken, subject to one or more of the four alternative methods of apportionment enumerated in section 5747.21 of the Revised Code. 1422
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(c) No deduction is available under division (A) (18) (a) of this section with regard to any depreciation allowed by section 168(k) of the Internal Revenue Code and by the qualifying section 179 depreciation expense amount to the extent that such depreciation results in or increases a federal net operating loss carryback or carryforward. If no such deduction is available for a taxable year, the taxpayer may carry forward the amount not deducted in such taxable year to the next taxable year and add that amount to any deduction otherwise available under division (A) (18) (a) of this section for that next taxable year. The carryforward of amounts not so deducted shall continue until the entire addition required by division (A) (17) (a) of this section has been deducted. 1430
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(19) Deduct, to the extent not otherwise deducted or 1443
excluded in computing federal or Ohio adjusted gross income for 1444
the taxable year, the amount the taxpayer received during the 1445
taxable year as reimbursement for life insurance premiums under 1446
section 5919.31 of the Revised Code. 1447

(20) Deduct, to the extent not otherwise deducted or 1448
excluded in computing federal or Ohio adjusted gross income for 1449
the taxable year, the amount the taxpayer received during the 1450
taxable year as a death benefit paid by the adjutant general 1451
under section 5919.33 of the Revised Code. 1452

(21) Deduct, to the extent included in federal adjusted 1453
gross income and not otherwise allowable as a deduction or 1454
exclusion in computing federal or Ohio adjusted gross income for 1455
the taxable year, military pay and allowances received by the 1456
taxpayer during the taxable year for active duty service in the 1457
United States army, air force, navy, marine corps, or coast 1458
guard or reserve components thereof or the national guard. The 1459
deduction may not be claimed for military pay and allowances 1460
received by the taxpayer while the taxpayer is stationed in this 1461
state. 1462

(22) Deduct, to the extent not otherwise allowable as a 1463
deduction or exclusion in computing federal or Ohio adjusted 1464
gross income for the taxable year and not otherwise compensated 1465
for by any other source, the amount of qualified organ donation 1466
expenses incurred by the taxpayer during the taxable year, not 1467
to exceed ten thousand dollars. A taxpayer may deduct qualified 1468
organ donation expenses only once for all taxable years 1469
beginning with taxable years beginning in 2007. 1470

For the purposes of division (A) (22) of this section: 1471

(a) "Human organ" means all or any portion of a human 1472
liver, pancreas, kidney, intestine, or lung, and any portion of 1473
human bone marrow. 1474

(b) "Qualified organ donation expenses" means travel 1475
expenses, lodging expenses, and wages and salary forgone by a 1476
taxpayer in connection with the taxpayer's donation, while 1477
living, of one or more of the taxpayer's human organs to another 1478
human being. 1479

(23) Deduct, to the extent not otherwise deducted or 1480
excluded in computing federal or Ohio adjusted gross income for 1481
the taxable year, amounts received by the taxpayer as retired 1482
personnel pay for service in the uniformed services or reserve 1483
components thereof, or the national guard, or received by the 1484
surviving spouse or former spouse of such a taxpayer under the 1485
survivor benefit plan on account of such a taxpayer's death. If 1486
the taxpayer receives income on account of retirement paid under 1487
the federal civil service retirement system or federal employees 1488
retirement system, or under any successor retirement program 1489
enacted by the congress of the United States that is established 1490
and maintained for retired employees of the United States 1491
government, and such retirement income is based, in whole or in 1492
part, on credit for the taxpayer's uniformed service, the 1493
deduction allowed under this division shall include only that 1494
portion of such retirement income that is attributable to the 1495
taxpayer's uniformed service, to the extent that portion of such 1496
retirement income is otherwise included in federal adjusted 1497
gross income and is not otherwise deducted under this section. 1498
Any amount deducted under division (A) (23) of this section is 1499
not included in a taxpayer's adjusted gross income for the 1500
purposes of section 5747.055 of the Revised Code. No amount may 1501
be deducted under division (A) (23) of this section on the basis 1502

of which a credit was claimed under section 5747.055 of the 1503
Revised Code. 1504

(24) Deduct, to the extent not otherwise deducted or 1505
excluded in computing federal or Ohio adjusted gross income for 1506
the taxable year, the amount the taxpayer received during the 1507
taxable year from the military injury relief fund created in 1508
section 5902.05 of the Revised Code. 1509

(25) Deduct, to the extent not otherwise deducted or 1510
excluded in computing federal or Ohio adjusted gross income for 1511
the taxable year, the amount the taxpayer received as a veterans 1512
bonus during the taxable year from the Ohio department of 1513
veterans services as authorized by Section 2r of Article VIII, 1514
Ohio Constitution. 1515

(26) Deduct, to the extent not otherwise deducted or 1516
excluded in computing federal or Ohio adjusted gross income for 1517
the taxable year, any income derived from a transfer agreement 1518
or from the enterprise transferred under that agreement under 1519
section 4313.02 of the Revised Code. 1520

(27) Deduct, to the extent not otherwise deducted or 1521
excluded in computing federal or Ohio adjusted gross income for 1522
the taxable year, Ohio college opportunity or federal Pell grant 1523
amounts received by the taxpayer or the taxpayer's spouse or 1524
dependent pursuant to section 3333.122 of the Revised Code or 20 1525
U.S.C. 1070a, et seq., and used to pay room or board furnished 1526
by the educational institution for which the grant was awarded 1527
at the institution's facilities, including meal plans 1528
administered by the institution. For the purposes of this 1529
division, receipt of a grant includes the distribution of a 1530
grant directly to an educational institution and the crediting 1531
of the grant to the enrollee's account with the institution. 1532

(28) Deduct from the portion of an individual's federal 1533
adjusted gross income that is business income, to the extent not 1534
otherwise deducted or excluded in computing federal adjusted 1535
gross income for the taxable year, one hundred twenty-five 1536
thousand dollars for each spouse if spouses file separate 1537
returns under section 5747.08 of the Revised Code or two hundred 1538
fifty thousand dollars for all other individuals. 1539

(29) Deduct, as provided under section 5747.78 of the 1540
Revised Code, contributions to ABLE savings accounts made in 1541
accordance with sections 113.50 to 113.56 of the Revised Code. 1542

(30)(a) Deduct, to the extent not otherwise deducted or 1543
excluded in computing federal or Ohio adjusted gross income 1544
during the taxable year, all of the following: 1545

(i) Compensation paid to a qualifying employee described 1546
in division (A)(14)(a) of section 5703.94 of the Revised Code to 1547
the extent such compensation is for disaster work conducted in 1548
this state during a disaster response period pursuant to a 1549
qualifying solicitation received by the employee's employer; 1550

(ii) Compensation paid to a qualifying employee described 1551
in division (A)(14)(b) of section 5703.94 of the Revised Code to 1552
the extent such compensation is for disaster work conducted in 1553
this state by the employee during the disaster response period 1554
on critical infrastructure owned or used by the employee's 1555
employer; 1556

(iii) Income received by an out-of-state disaster business 1557
for disaster work conducted in this state during a disaster 1558
response period, or, if the out-of-state disaster business is a 1559
pass-through entity, a taxpayer's distributive share of the 1560
pass-through entity's income from the business conducting 1561

disaster work in this state during a disaster response period, 1562
if, in either case, the disaster work is conducted pursuant to a 1563
qualifying solicitation received by the business. 1564

(b) All terms used in division (A) (30) of this section 1565
have the same meanings as in section 5703.94 of the Revised 1566
Code. 1567

(31) For a taxpayer who is a qualifying Ohio educator, 1568
deduct, to the extent not otherwise deducted or excluded in 1569
computing federal or Ohio adjusted gross income for the taxable 1570
year, the lesser of two hundred fifty dollars or the amount of 1571
expenses described in subsections (a) (2) (D) (i) and (ii) of 1572
section 62 of the Internal Revenue Code paid or incurred by the 1573
taxpayer during the taxpayer's taxable year in excess of the 1574
amount the taxpayer is authorized to deduct for that taxable 1575
year under subsection (a) (2) (D) of that section. 1576

(32) Deduct, to the extent not otherwise deducted or 1577
excluded in computing federal or Ohio adjusted gross income for 1578
the taxable year, amounts received by the taxpayer as a 1579
disability severance payment, computed under 10 U.S.C. 1212, 1580
following discharge or release under honorable conditions from 1581
the armed forces of the United States, as defined in section 1582
5907.01 of the Revised Code. 1583

(33) Deduct, to the extent not otherwise deducted or 1584
excluded in computing federal adjusted gross income or Ohio 1585
adjusted gross income, amounts not subject to tax due to an 1586
agreement entered into under division (A) (2) of section 5747.05 1587
of the Revised Code. 1588

(34) Deduct amounts as provided under section 5747.79 of 1589
the Revised Code related to the taxpayer's qualifying capital 1590

gains and deductible payroll. 1591

To the extent a qualifying capital gain described under 1592
division (A) (34) of this section is business income, the 1593
taxpayer shall deduct those gains under this division before 1594
deducting any such gains under division (A) (28) of this section. 1595

(35) (a) For taxable years beginning in or after 2026, 1596
deduct, to the extent not otherwise deducted or excluded in 1597
computing federal or Ohio adjusted gross income for the taxable 1598
year: 1599

(i) One hundred per cent of the capital gain received by 1600
the taxpayer in the taxable year from a qualifying interest in 1601
an Ohio venture capital operating company attributable to the 1602
company's investments in Ohio businesses during the period for 1603
which the company was an Ohio venture operating company; and 1604

(ii) Fifty per cent of the capital gain received by the 1605
taxpayer in the taxable year from a qualifying interest in an 1606
Ohio venture capital operating company attributable to the 1607
company's investments in all other businesses during the period 1608
for which the company was an Ohio venture operating company. 1609

(b) Add amounts previously deducted by the taxpayer under 1610
division (A) (35) (a) of this section if the director of 1611
development certifies to the tax commissioner that the 1612
requirements for the deduction were not met. 1613

(c) All terms used in division (A) (35) of this section 1614
have the same meanings as in section 122.851 of the Revised 1615
Code. 1616

(d) To the extent a capital gain described in division (A) 1617
(35) (a) of this section is business income, the taxpayer shall 1618
apply that division before applying division (A) (28) of this 1619

section. 1620

(36) Add, to the extent not otherwise included in 1621
computing federal or Ohio adjusted gross income for any taxable 1622
year, the taxpayer's proportionate share of the amount of the 1623
tax levied under section 5747.38 of the Revised Code and paid by 1624
an electing pass-through entity for the taxable year. 1625

Notwithstanding any provision of the Revised Code to the 1626
contrary, the portion of the addition required by division (A) 1627
(36) of this section related to the apportioned business income 1628
of the pass-through entity shall be considered business income 1629
under division (B) of this section. Such addition is eligible 1630
for the deduction in division (A) (28) of this section, subject 1631
to the applicable dollar limitations, and the tax rate 1632
prescribed by division (A) (4) (a) of section 5747.02 of the 1633
Revised Code. The taxpayer shall provide, upon request of the 1634
tax commissioner, any documentation necessary to verify the 1635
portion of the addition that is business income under this 1636
division. 1637

(37) Deduct, to the extent not otherwise deducted or 1638
excluded in computing federal or Ohio adjusted gross income for 1639
the taxable year, amounts delivered to a qualifying institution 1640
pursuant to section 3333.128 of the Revised Code for the benefit 1641
of the taxpayer or the taxpayer's spouse or dependent. 1642

(38) Deduct, to the extent not otherwise deducted or 1643
excluded in computing federal or Ohio adjusted gross income for 1644
the taxable year, amounts received under the Ohio adoption grant 1645
program pursuant to section 5101.191 of the Revised Code. 1646

(39) Deduct, to the extent included in federal adjusted 1647
gross income, income attributable to amounts provided to a 1648

taxpayer for any of the purposes for which an exclusion would 1649
have been authorized under section 139 of the Internal Revenue 1650
Code if the train derailment near the city of East Palestine on 1651
February 3, 2023, had been a qualified disaster pursuant to that 1652
section, or to compensate for lost business resulting from that 1653
derailment, if such amounts are provided by any of the 1654
following: 1655

(a) A federal, state, or local government agency; 1656

(b) A railroad company, as that term is defined in section 1657
5727.01 of the Revised Code; 1658

(c) Any subsidiary, insurer, or agent of a railroad 1659
company or any related person. 1660

Notwithstanding any provision to the contrary, the 1661
derailment is not required to meet the definition of a 1662
"qualified disaster" pursuant to section 139 of the Internal 1663
Revenue Code to qualify for the deduction under this section. 1664

(40) Deduct, to the extent included in federal adjusted 1665
gross income, income attributable to loan repayments on behalf 1666
of the taxpayer under the rural practice incentive program under 1667
section 3333.135 of the Revised Code. 1668

(41) Add any income taxes deducted in computing federal or 1669
Ohio adjusted gross income to the extent the income taxes were 1670
derived from income subject to a tax levied in another state or 1671
the District of Columbia when such tax was enacted for purposes 1672
of complying with internal revenue service notice 2020-75. 1673

Notwithstanding any provision of the Revised Code to the 1674
contrary, the portion of the addition required by division (A) 1675
(41) of this section related to the apportioned business income 1676
of the pass-through entity shall be considered business income 1677

under division (B) of this section. Such addition is eligible 1678
for the deduction in division (A) (28) of this section, subject 1679
to the applicable dollar limitations, and the tax rate 1680
prescribed by division (A) (4) (a) of section 5747.02 of the 1681
Revised Code. The taxpayer shall provide, upon request of the 1682
tax commissioner, any documentation necessary to verify the 1683
portion of the addition that is business income under this 1684
division. 1685

(42) Deduct amounts contributed to a homeownership savings 1686
account and calculated pursuant to divisions (B) and (C) of 1687
section 5747.85 of the Revised Code. 1688

(43) If the taxpayer is the account owner, add the amount 1689
of funds withdrawn from a homeownership savings account not used 1690
for eligible expenses, regardless of who deposited those funds. 1691
As used in division (A) (43) of this section, "homeownership 1692
savings account," "account owner," and "eligible expenses" have 1693
the same meanings as in section 5747.85 of the Revised Code. 1694

(44) Deduct, to the extent not otherwise deducted or 1695
excluded in computing federal or Ohio adjusted gross income for 1696
the taxable year, capital gains received by the taxpayer from 1697
the sale of a digital asset used as a method of payment for 1698
goods or services, provided the amount of payment in the 1699
transaction does not exceed the deduction threshold. 1700

For the purpose of division (A) (44) of this section: 1701

(a) The "deduction threshold" equals two hundred dollars 1702
for the taxable year ending on or after the effective date of 1703
this amendment. In August of each year, starting in the first 1704
following taxable year, the tax commissioner shall determine the 1705
percentage increase in the consumer price index from the first 1706

day of January of the preceding calendar year to the last day of 1707
December of the preceding year, and make a new adjustment to the 1708
deduction threshold for taxable years beginning in the current 1709
calendar year by multiplying that amount by the percentage 1710
increase in the consumer price index for that period; adding the 1711
resulting product to the deduction threshold for taxable years 1712
beginning in the preceding calendar year; and rounding the 1713
resulting sum upward to the nearest multiple of five dollars. 1714
The adjusted amount applies to taxable years beginning in the 1715
calendar year in which the adjustment is made and to taxable 1716
years beginning in each ensuing calendar year until a calendar 1717
year in which a new adjustment is made pursuant to this 1718
division. The commissioner shall not make a new adjustment in 1719
any calendar year in which the amount resulting from the 1720
adjustment would be less than the amount resulting from the 1721
adjustment in the preceding calendar year. After making an 1722
adjustment, the commissioner shall certify the new deduction 1723
threshold to the tax administrator of each municipal corporation 1724
to which division (C) (2) (b) of section 718.01 of the Revised 1725
Code applies. 1726

(b) "Consumer price index" means the consumer price index 1727
for all urban consumers (United States city average, all items), 1728
prepared by the United States department of labor, bureau of 1729
labor statistics. 1730

(c) "Digital asset" has the same meaning as in section 1731
1352.01 of the Revised Code. 1732

(B) "Business income" means income, including gain or 1733
loss, arising from transactions, activities, and sources in the 1734
regular course of a trade or business and includes income, gain, 1735
or loss from real property, tangible property, and intangible 1736

property if the acquisition, rental, management, and disposition 1737
of the property constitute integral parts of the regular course 1738
of a trade or business operation. "Business income" includes 1739
income, including gain or loss, from a partial or complete 1740
liquidation of a business, including, but not limited to, gain 1741
or loss from the sale or other disposition of goodwill or the 1742
sale of an equity or ownership interest in a business. 1743

As used in this division, the "sale of an equity or 1744
ownership interest in a business" means sales to which either or 1745
both of the following apply: 1746

(1) The sale is treated for federal income tax purposes as 1747
the sale of assets. 1748

(2) The seller materially participated, as described in 26 1749
C.F.R. 1.469-5T, in the activities of the business during the 1750
taxable year in which the sale occurs or during any of the five 1751
preceding taxable years. 1752

(C) "Nonbusiness income" means all income other than 1753
business income and may include, but is not limited to, 1754
compensation, rents and royalties from real or tangible personal 1755
property, capital gains, interest, dividends and distributions, 1756
patent or copyright royalties, or lottery winnings, prizes, and 1757
awards. 1758

(D) "Compensation" means any form of remuneration paid to 1759
an employee for personal services. 1760

(E) "Fiduciary" means a guardian, trustee, executor, 1761
administrator, receiver, conservator, or any other person acting 1762
in any fiduciary capacity for any individual, trust, or estate. 1763

(F) "Fiscal year" means an accounting period of twelve 1764
months ending on the last day of any month other than December. 1765

(G) "Individual" means any natural person. 1766

(H) "Internal Revenue Code" means the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended. 1767
1768

(I) "Resident" means any of the following: 1769

(1) An individual who is domiciled in this state, subject 1770
to section 5747.24 of the Revised Code; 1771

(2) The estate of a decedent who at the time of death was 1772
domiciled in this state. The domicile tests of section 5747.24 1773
of the Revised Code are not controlling for purposes of division 1774
(I) (2) of this section. 1775

(3) A trust that, in whole or part, resides in this state. 1776
If only part of a trust resides in this state, the trust is a 1777
resident only with respect to that part. 1778

For the purposes of division (I) (3) of this section: 1779

(a) A trust resides in this state for the trust's current 1780
taxable year to the extent, as described in division (I) (3) (d) 1781
of this section, that the trust consists directly or indirectly, 1782
in whole or in part, of assets, net of any related liabilities, 1783
that were transferred, or caused to be transferred, directly or 1784
indirectly, to the trust by any of the following: 1785

(i) A person, a court, or a governmental entity or 1786
instrumentality on account of the death of a decedent, but only 1787
if the trust is described in division (I) (3) (e) (i) or (ii) of 1788
this section; 1789

(ii) A person who was domiciled in this state for the 1790
purposes of this chapter when the person directly or indirectly 1791
transferred assets to an irrevocable trust, but only if at least 1792
one of the trust's qualifying beneficiaries is domiciled in this 1793

state for the purposes of this chapter during all or some 1794
portion of the trust's current taxable year; 1795

(iii) A person who was domiciled in this state for the 1796
purposes of this chapter when the trust document or instrument 1797
or part of the trust document or instrument became irrevocable, 1798
but only if at least one of the trust's qualifying beneficiaries 1799
is a resident domiciled in this state for the purposes of this 1800
chapter during all or some portion of the trust's current 1801
taxable year. If a trust document or instrument became 1802
irrevocable upon the death of a person who at the time of death 1803
was domiciled in this state for purposes of this chapter, that 1804
person is a person described in division (I) (3) (a) (iii) of this 1805
section. 1806

(b) A trust is irrevocable to the extent that the 1807
transferor is not considered to be the owner of the net assets 1808
of the trust under sections 671 to 678 of the Internal Revenue 1809
Code. 1810

(c) With respect to a trust other than a charitable lead 1811
trust, "qualifying beneficiary" has the same meaning as 1812
"potential current beneficiary" as defined in section 1361(e) (2) 1813
of the Internal Revenue Code, and with respect to a charitable 1814
lead trust "qualifying beneficiary" is any current, future, or 1815
contingent beneficiary, but with respect to any trust 1816
"qualifying beneficiary" excludes a person or a governmental 1817
entity or instrumentality to any of which a contribution would 1818
qualify for the charitable deduction under section 170 of the 1819
Internal Revenue Code. 1820

(d) For the purposes of division (I) (3) (a) of this 1821
section, the extent to which a trust consists directly or 1822
indirectly, in whole or in part, of assets, net of any related 1823

liabilities, that were transferred directly or indirectly, in 1824
whole or part, to the trust by any of the sources enumerated in 1825
that division shall be ascertained by multiplying the fair 1826
market value of the trust's assets, net of related liabilities, 1827
by the qualifying ratio, which shall be computed as follows: 1828

(i) The first time the trust receives assets, the 1829
numerator of the qualifying ratio is the fair market value of 1830
those assets at that time, net of any related liabilities, from 1831
sources enumerated in division (I) (3) (a) of this section. The 1832
denominator of the qualifying ratio is the fair market value of 1833
all the trust's assets at that time, net of any related 1834
liabilities. 1835

(ii) Each subsequent time the trust receives assets, a 1836
revised qualifying ratio shall be computed. The numerator of the 1837
revised qualifying ratio is the sum of (1) the fair market value 1838
of the trust's assets immediately prior to the subsequent 1839
transfer, net of any related liabilities, multiplied by the 1840
qualifying ratio last computed without regard to the subsequent 1841
transfer, and (2) the fair market value of the subsequently 1842
transferred assets at the time transferred, net of any related 1843
liabilities, from sources enumerated in division (I) (3) (a) of 1844
this section. The denominator of the revised qualifying ratio is 1845
the fair market value of all the trust's assets immediately 1846
after the subsequent transfer, net of any related liabilities. 1847

(iii) Whether a transfer to the trust is by or from any of 1848
the sources enumerated in division (I) (3) (a) of this section 1849
shall be ascertained without regard to the domicile of the 1850
trust's beneficiaries. 1851

(e) For the purposes of division (I) (3) (a) (i) of this 1852
section: 1853

(i) A trust is described in division (I) (3) (e) (i) of this 1854
section if the trust is a testamentary trust and the testator of 1855
that testamentary trust was domiciled in this state at the time 1856
of the testator's death for purposes of the taxes levied under 1857
Chapter 5731. of the Revised Code. 1858

(ii) A trust is described in division (I) (3) (e) (ii) of 1859
this section if the transfer is a qualifying transfer described 1860
in any of divisions (I) (3) (f) (i) to (vi) of this section, the 1861
trust is an irrevocable inter vivos trust, and at least one of 1862
the trust's qualifying beneficiaries is domiciled in this state 1863
for purposes of this chapter during all or some portion of the 1864
trust's current taxable year. 1865

(f) For the purposes of division (I) (3) (e) (ii) of this 1866
section, a "qualifying transfer" is a transfer of assets, net of 1867
any related liabilities, directly or indirectly to a trust, if 1868
the transfer is described in any of the following: 1869

(i) The transfer is made to a trust, created by the 1870
decedent before the decedent's death and while the decedent was 1871
domiciled in this state for the purposes of this chapter, and, 1872
prior to the death of the decedent, the trust became irrevocable 1873
while the decedent was domiciled in this state for the purposes 1874
of this chapter. 1875

(ii) The transfer is made to a trust to which the 1876
decedent, prior to the decedent's death, had directly or 1877
indirectly transferred assets, net of any related liabilities, 1878
while the decedent was domiciled in this state for the purposes 1879
of this chapter, and prior to the death of the decedent the 1880
trust became irrevocable while the decedent was domiciled in 1881
this state for the purposes of this chapter. 1882

(iii) The transfer is made on account of a contractual 1883
relationship existing directly or indirectly between the 1884
transferor and either the decedent or the estate of the decedent 1885
at any time prior to the date of the decedent's death, and the 1886
decedent was domiciled in this state at the time of death for 1887
purposes of the taxes levied under Chapter 5731. of the Revised 1888
Code. 1889

(iv) The transfer is made to a trust on account of a 1890
contractual relationship existing directly or indirectly between 1891
the transferor and another person who at the time of the 1892
decedent's death was domiciled in this state for purposes of 1893
this chapter. 1894

(v) The transfer is made to a trust on account of the will 1895
of a testator who was domiciled in this state at the time of the 1896
testator's death for purposes of the taxes levied under Chapter 1897
5731. of the Revised Code. 1898

(vi) The transfer is made to a trust created by or caused 1899
to be created by a court, and the trust was directly or 1900
indirectly created in connection with or as a result of the 1901
death of an individual who, for purposes of the taxes levied 1902
under Chapter 5731. of the Revised Code, was domiciled in this 1903
state at the time of the individual's death. 1904

(g) The tax commissioner may adopt rules to ascertain the 1905
part of a trust residing in this state. 1906

(J) "Nonresident" means an individual or estate that is 1907
not a resident. An individual who is a resident for only part of 1908
a taxable year is a nonresident for the remainder of that 1909
taxable year. 1910

(K) "Pass-through entity" has the same meaning as in 1911

section 5733.04 of the Revised Code. 1912

(L) "Return" means the notifications and reports required 1913
to be filed pursuant to this chapter for the purpose of 1914
reporting the tax due and includes declarations of estimated tax 1915
when so required. 1916

(M) "Taxable year" means the calendar year or the 1917
taxpayer's fiscal year ending during the calendar year, or 1918
fractional part thereof, upon which the adjusted gross income is 1919
calculated pursuant to this chapter. 1920

(N) "Taxpayer" means any person subject to the tax imposed 1921
by section 5747.02 of the Revised Code or any pass-through 1922
entity that makes the election under division (D) of section 1923
5747.08 of the Revised Code. 1924

(O) "Dependents" means one of the following: 1925

(1) For taxable years beginning on or after January 1, 1926
2018, and before January 1, 2026, dependents as defined in the 1927
Internal Revenue Code; 1928

(2) For all other taxable years, dependents as defined in 1929
the Internal Revenue Code and as claimed in the taxpayer's 1930
federal income tax return for the taxable year or which the 1931
taxpayer would have been permitted to claim had the taxpayer 1932
filed a federal income tax return. 1933

(P) "Principal county of employment" means, in the case of 1934
a nonresident, the county within the state in which a taxpayer 1935
performs services for an employer or, if those services are 1936
performed in more than one county, the county in which the major 1937
portion of the services are performed. 1938

(Q) As used in sections 5747.50 to 5747.55 of the Revised 1939

Code: 1940

(1) "Subdivision" means any county, municipal corporation,
park district, or township. 1941
1942

(2) "Essential local government purposes" includes all 1943
functions that any subdivision is required by general law to 1944
exercise, including like functions that are exercised under a 1945
charter adopted pursuant to the Ohio Constitution. 1946

(R) "Overpayment" means any amount already paid that 1947
exceeds the figure determined to be the correct amount of the 1948
tax. 1949

(S) "Taxable income" or "Ohio taxable income" applies only 1950
to estates and trusts, and means federal taxable income, as 1951
defined and used in the Internal Revenue Code, adjusted as 1952
follows: 1953

(1) Add interest or dividends, net of ordinary, necessary, 1954
and reasonable expenses not deducted in computing federal 1955
taxable income, on obligations or securities of any state or of 1956
any political subdivision or authority of any state, other than 1957
this state and its subdivisions and authorities, but only to the 1958
extent that such net amount is not otherwise includible in Ohio 1959
taxable income and is described in either division (S) (1) (a) or 1960
(b) of this section: 1961

(a) The net amount is not attributable to the S portion of 1962
an electing small business trust and has not been distributed to 1963
beneficiaries for the taxable year; 1964

(b) The net amount is attributable to the S portion of an 1965
electing small business trust for the taxable year. 1966

(2) Add interest or dividends, net of ordinary, necessary, 1967

and reasonable expenses not deducted in computing federal 1968
taxable income, on obligations of any authority, commission, 1969
instrumentality, territory, or possession of the United States 1970
to the extent that the interest or dividends are exempt from 1971
federal income taxes but not from state income taxes, but only 1972
to the extent that such net amount is not otherwise includible 1973
in Ohio taxable income and is described in either division (S) 1974
(1) (a) or (b) of this section; 1975

(3) Add the amount of personal exemption allowed to the 1976
estate pursuant to section 642(b) of the Internal Revenue Code; 1977

(4) Deduct interest or dividends, net of related expenses 1978
deducted in computing federal taxable income, on obligations of 1979
the United States and its territories and possessions or of any 1980
authority, commission, or instrumentality of the United States 1981
to the extent that the interest or dividends are exempt from 1982
state taxes under the laws of the United States, but only to the 1983
extent that such amount is included in federal taxable income 1984
and is described in either division (S) (1) (a) or (b) of this 1985
section; 1986

(5) Deduct the amount of wages and salaries, if any, not 1987
otherwise allowable as a deduction but that would have been 1988
allowable as a deduction in computing federal taxable income for 1989
the taxable year, had the work opportunity tax credit allowed 1990
under sections 38, 51, and 52 of the Internal Revenue Code not 1991
been in effect, but only to the extent such amount relates 1992
either to income included in federal taxable income for the 1993
taxable year or to income of the S portion of an electing small 1994
business trust for the taxable year; 1995

(6) Deduct any interest or interest equivalent, net of 1996
related expenses deducted in computing federal taxable income, 1997

on public obligations and purchase obligations, but only to the 1998
extent that such net amount relates either to income included in 1999
federal taxable income for the taxable year or to income of the 2000
S portion of an electing small business trust for the taxable 2001
year; 2002

(7) Add any loss or deduct any gain resulting from sale, 2003
exchange, or other disposition of public obligations to the 2004
extent that such loss has been deducted or such gain has been 2005
included in computing either federal taxable income or income of 2006
the S portion of an electing small business trust for the 2007
taxable year; 2008

(8) Except in the case of the final return of an estate, 2009
add any amount deducted by the taxpayer on both its Ohio estate 2010
tax return pursuant to section 5731.14 of the Revised Code, and 2011
on its federal income tax return in determining federal taxable 2012
income; 2013

(9) (a) Deduct any amount included in federal taxable 2014
income solely because the amount represents a reimbursement or 2015
refund of expenses that in a previous year the decedent had 2016
deducted as an itemized deduction pursuant to section 63 of the 2017
Internal Revenue Code and applicable treasury regulations. The 2018
deduction otherwise allowed under division (S) (9) (a) of this 2019
section shall be reduced to the extent the reimbursement is 2020
attributable to an amount the taxpayer or decedent deducted 2021
under this section in any taxable year. 2022

(b) Add any amount not otherwise included in Ohio taxable 2023
income for any taxable year to the extent that the amount is 2024
attributable to the recovery during the taxable year of any 2025
amount deducted or excluded in computing federal or Ohio taxable 2026
income in any taxable year, but only to the extent such amount 2027

has not been distributed to beneficiaries for the taxable year. 2028

(10) Deduct any portion of the deduction described in 2029
section 1341(a)(2) of the Internal Revenue Code, for repaying 2030
previously reported income received under a claim of right, that 2031
meets both of the following requirements: 2032

(a) It is allowable for repayment of an item that was 2033
included in the taxpayer's taxable income or the decedent's 2034
adjusted gross income for a prior taxable year and did not 2035
qualify for a credit under division (A) or (B) of section 2036
5747.05 of the Revised Code for that year. 2037

(b) It does not otherwise reduce the taxpayer's taxable 2038
income or the decedent's adjusted gross income for the current 2039
or any other taxable year. 2040

(11) Add any amount claimed as a credit under section 2041
5747.059 of the Revised Code to the extent that the amount 2042
satisfies either of the following: 2043

(a) The amount was deducted or excluded from the 2044
computation of the taxpayer's federal taxable income as required 2045
to be reported for the taxpayer's taxable year under the 2046
Internal Revenue Code; 2047

(b) The amount resulted in a reduction in the taxpayer's 2048
federal taxable income as required to be reported for any of the 2049
taxpayer's taxable years under the Internal Revenue Code. 2050

(12) Deduct any amount, net of related expenses deducted 2051
in computing federal taxable income, that a trust is required to 2052
report as farm income on its federal income tax return, but only 2053
if the assets of the trust include at least ten acres of land 2054
satisfying the definition of "land devoted exclusively to 2055
agricultural use" under section 5713.30 of the Revised Code, 2056

regardless of whether the land is valued for tax purposes as 2057
such land under sections 5713.30 to 5713.38 of the Revised Code. 2058
If the trust is a pass-through entity investor, section 5747.231 2059
of the Revised Code applies in ascertaining if the trust is 2060
eligible to claim the deduction provided by division (S)(12) of 2061
this section in connection with the pass-through entity's farm 2062
income. 2063

Except for farm income attributable to the S portion of an 2064
electing small business trust, the deduction provided by 2065
division (S)(12) of this section is allowed only to the extent 2066
that the trust has not distributed such farm income. 2067

(13) Add the net amount of income described in section 2068
641(c) of the Internal Revenue Code to the extent that amount is 2069
not included in federal taxable income. 2070

(14) Deduct the amount the taxpayer would be required to 2071
deduct under division (A)(18) of this section if the taxpayer's 2072
Ohio taxable income ~~were~~was computed in the same manner as an 2073
individual's Ohio adjusted gross income is computed under this 2074
section. 2075

(15) Add, to the extent not otherwise included in 2076
computing taxable income or Ohio taxable income for any taxable 2077
year, the taxpayer's proportionate share of the amount of the 2078
tax levied under section 5747.38 of the Revised Code and paid by 2079
an electing pass-through entity for the taxable year. 2080

(16) Add any income taxes deducted in computing federal 2081
taxable income or Ohio taxable income to the extent the income 2082
taxes were derived from income subject to a tax levied in 2083
another state or the District of Columbia when such tax was 2084
enacted for purposes of complying with internal revenue service 2085

notice 2020-75. 2086

(17) Deduct, to the extent not otherwise deducted or 2087
excluded in computing federal or Ohio taxable income for the 2088
taxable year, capital gains received by the trust from the sale 2089
of a digital asset, as defined in section 1352.01 of the Revised 2090
Code, used as a method of payment for goods or services, 2091
provided the amount of payment in the transaction does not 2092
exceed the deduction threshold, as applicable to the taxable 2093
year under division (A) (44) of this section. 2094

(T) "School district income" and "school district income 2095
tax" have the same meanings as in section 5748.01 of the Revised 2096
Code. 2097

(U) As used in divisions (A) (7), (A) (8), (S) (6), and (S) 2098
(7) of this section, "public obligations," "purchase 2099
obligations," and "interest or interest equivalent" have the 2100
same meanings as in section 5709.76 of the Revised Code. 2101

(V) "Limited liability company" means any limited 2102
liability company formed under former Chapter 1705. of the 2103
Revised Code as that chapter existed prior to February 11, 2022, 2104
Chapter 1706. of the Revised Code, or the laws of any other 2105
state. 2106

(W) "Pass-through entity investor" means any person who, 2107
during any portion of a taxable year of a pass-through entity, 2108
is a partner, member, shareholder, or equity investor in that 2109
pass-through entity. 2110

(X) "Banking day" has the same meaning as in section 2111
1304.01 of the Revised Code. 2112

(Y) "Month" means a calendar month. 2113

(Z) "Quarter" means the first three months, the second 2114
three months, the third three months, or the last three months 2115
of the taxpayer's taxable year. 2116

(AA) (1) "Modified business income" means the business 2117
income included in a trust's Ohio taxable income after such 2118
taxable income is first reduced by the qualifying trust amount, 2119
if any. 2120

(2) "Qualifying trust amount" of a trust means capital 2121
gains and losses from the sale, exchange, or other disposition 2122
of equity or ownership interests in, or debt obligations of, a 2123
qualifying investee to the extent included in the trust's Ohio 2124
taxable income, but only if the following requirements are 2125
satisfied: 2126

(a) The book value of the qualifying investee's physical 2127
assets in this state and everywhere, as of the last day of the 2128
qualifying investee's fiscal or calendar year ending immediately 2129
prior to the date on which the trust recognizes the gain or 2130
loss, is available to the trust. 2131

(b) The requirements of section 5747.011 of the Revised 2132
Code are satisfied for the trust's taxable year in which the 2133
trust recognizes the gain or loss. 2134

Any gain or loss that is not a qualifying trust amount is 2135
modified business income, qualifying investment income, or 2136
modified nonbusiness income, as the case may be. 2137

(3) "Modified nonbusiness income" means a trust's Ohio 2138
taxable income other than modified business income, other than 2139
the qualifying trust amount, and other than qualifying 2140
investment income, as defined in section 5747.012 of the Revised 2141
Code, to the extent such qualifying investment income is not 2142

otherwise part of modified business income. 2143

(4) "Modified Ohio taxable income" applies only to trusts, 2144
and means the sum of the amounts described in divisions (AA) (4) 2145
(a) to (c) of this section: 2146

(a) The fraction, calculated under section 5747.013, and 2147
applying section 5747.231 of the Revised Code, multiplied by the 2148
sum of the following amounts: 2149

(i) The trust's modified business income; 2150

(ii) The trust's qualifying investment income, as defined 2151
in section 5747.012 of the Revised Code, but only to the extent 2152
the qualifying investment income does not otherwise constitute 2153
modified business income and does not otherwise constitute a 2154
qualifying trust amount. 2155

(b) The qualifying trust amount multiplied by a fraction, 2156
the numerator of which is the sum of the book value of the 2157
qualifying investee's physical assets in this state on the last 2158
day of the qualifying investee's fiscal or calendar year ending 2159
immediately prior to the day on which the trust recognizes the 2160
qualifying trust amount, and the denominator of which is the sum 2161
of the book value of the qualifying investee's total physical 2162
assets everywhere on the last day of the qualifying investee's 2163
fiscal or calendar year ending immediately prior to the day on 2164
which the trust recognizes the qualifying trust amount. If, for 2165
a taxable year, the trust recognizes a qualifying trust amount 2166
with respect to more than one qualifying investee, the amount 2167
described in division (AA) (4) (b) of this section shall equal the 2168
sum of the products so computed for each such qualifying 2169
investee. 2170

(c) (i) With respect to a trust or portion of a trust that 2171

is a resident as ascertained in accordance with division (I) (3) 2172
(d) of this section, its modified nonbusiness income. 2173

(ii) With respect to a trust or portion of a trust that is 2174
not a resident as ascertained in accordance with division (I) (3) 2175
(d) of this section, the amount of its modified nonbusiness 2176
income satisfying the descriptions in divisions (B) (2) to (5) of 2177
section 5747.20 of the Revised Code, except as otherwise 2178
provided in division (AA) (4) (c) (ii) of this section. With 2179
respect to a trust or portion of a trust that is not a resident 2180
as ascertained in accordance with division (I) (3) (d) of this 2181
section, the trust's portion of modified nonbusiness income 2182
recognized from the sale, exchange, or other disposition of a 2183
debt interest in or equity interest in a section 5747.212 2184
entity, as defined in section 5747.212 of the Revised Code, 2185
without regard to division (A) of that section, shall not be 2186
allocated to this state in accordance with section 5747.20 of 2187
the Revised Code but shall be apportioned to this state in 2188
accordance with division (B) of section 5747.212 of the Revised 2189
Code without regard to division (A) of that section. 2190

If the allocation and apportionment of a trust's income 2191
under divisions (AA) (4) (a) and (c) of this section do not fairly 2192
represent the modified Ohio taxable income of the trust in this 2193
state, the alternative methods described in division (C) of 2194
section 5747.21 of the Revised Code may be applied in the manner 2195
and to the same extent provided in that section. 2196

(5) (a) Except as set forth in division (AA) (5) (b) of this 2197
section, "qualifying investee" means a person in which a trust 2198
has an equity or ownership interest, or a person or unit of 2199
government the debt obligations of either of which are owned by 2200
a trust. For the purposes of division (AA) (2) (a) of this section 2201

and for the purpose of computing the fraction described in 2202
division (AA) (4) (b) of this section, all of the following apply: 2203

(i) If the qualifying investee is a member of a qualifying 2204
controlled group on the last day of the qualifying investee's 2205
fiscal or calendar year ending immediately prior to the date on 2206
which the trust recognizes the gain or loss, then "qualifying 2207
investee" includes all persons in the qualifying controlled 2208
group on such last day. 2209

(ii) If the qualifying investee, or if the qualifying 2210
investee and any members of the qualifying controlled group of 2211
which the qualifying investee is a member on the last day of the 2212
qualifying investee's fiscal or calendar year ending immediately 2213
prior to the date on which the trust recognizes the gain or 2214
loss, separately or cumulatively own, directly or indirectly, on 2215
the last day of the qualifying investee's fiscal or calendar 2216
year ending immediately prior to the date on which the trust 2217
recognizes the qualifying trust amount, more than fifty per cent 2218
of the equity of a pass-through entity, then the qualifying 2219
investee and the other members are deemed to own the 2220
proportionate share of the pass-through entity's physical assets 2221
which the pass-through entity directly or indirectly owns on the 2222
last day of the pass-through entity's calendar or fiscal year 2223
ending within or with the last day of the qualifying investee's 2224
fiscal or calendar year ending immediately prior to the date on 2225
which the trust recognizes the qualifying trust amount. 2226

(iii) For the purposes of division (AA) (5) (a) (iii) of this 2227
section, "upper level pass-through entity" means a pass-through 2228
entity directly or indirectly owning any equity of another pass- 2229
through entity, and "lower level pass-through entity" means that 2230
other pass-through entity. 2231

An upper level pass-through entity, whether or not it is 2232
also a qualifying investee, is deemed to own, on the last day of 2233
the upper level pass-through entity's calendar or fiscal year, 2234
the proportionate share of the lower level pass-through entity's 2235
physical assets that the lower level pass-through entity 2236
directly or indirectly owns on the last day of the lower level 2237
pass-through entity's calendar or fiscal year ending within or 2238
with the last day of the upper level pass-through entity's 2239
fiscal or calendar year. If the upper level pass-through entity 2240
directly and indirectly owns less than fifty per cent of the 2241
equity of the lower level pass-through entity on each day of the 2242
upper level pass-through entity's calendar or fiscal year in 2243
which or with which ends the calendar or fiscal year of the 2244
lower level pass-through entity and if, based upon clear and 2245
convincing evidence, complete information about the location and 2246
cost of the physical assets of the lower pass-through entity is 2247
not available to the upper level pass-through entity, then 2248
solely for purposes of ascertaining if a gain or loss 2249
constitutes a qualifying trust amount, the upper level pass- 2250
through entity shall be deemed as owning no equity of the lower 2251
level pass-through entity for each day during the upper level 2252
pass-through entity's calendar or fiscal year in which or with 2253
which ends the lower level pass-through entity's calendar or 2254
fiscal year. Nothing in division (AA)(5)(a)(iii) of this section 2255
shall be construed to provide for any deduction or exclusion in 2256
computing any trust's Ohio taxable income. 2257

(b) With respect to a trust that is not a resident for the 2258
taxable year and with respect to a part of a trust that is not a 2259
resident for the taxable year, "qualifying investee" for that 2260
taxable year does not include a C corporation if both of the 2261
following apply: 2262

(i) During the taxable year the trust or part of the trust 2263
recognizes a gain or loss from the sale, exchange, or other 2264
disposition of equity or ownership interests in, or debt 2265
obligations of, the C corporation. 2266

(ii) Such gain or loss constitutes nonbusiness income. 2267

(6) "Available" means information is such that a person is 2268
able to learn of the information by the due date plus 2269
extensions, if any, for filing the return for the taxable year 2270
in which the trust recognizes the gain or loss. 2271

(BB) "Qualifying controlled group" has the same meaning as 2272
in section 5733.04 of the Revised Code. 2273

(CC) "Related member" has the same meaning as in section 2274
5733.042 of the Revised Code. 2275

(DD) (1) For the purposes of division (DD) of this section: 2276

(a) "Qualifying person" means any person other than a 2277
qualifying corporation. 2278

(b) "Qualifying corporation" means any person classified 2279
for federal income tax purposes as an association taxable as a 2280
corporation, except either of the following: 2281

(i) A corporation that has made an election under 2282
subchapter S, chapter one, subtitle A, of the Internal Revenue 2283
Code for its taxable year ending within, or on the last day of, 2284
the investor's taxable year; 2285

(ii) A subsidiary that is wholly owned by any corporation 2286
that has made an election under subchapter S, chapter one, 2287
subtitle A of the Internal Revenue Code for its taxable year 2288
ending within, or on the last day of, the investor's taxable 2289
year. 2290

(2) For the purposes of this chapter, unless expressly 2291
stated otherwise, no qualifying person indirectly owns any asset 2292
directly or indirectly owned by any qualifying corporation. 2293

(EE) For purposes of this chapter and Chapter 5751. of the 2294
Revised Code: 2295

(1) "Trust" does not include a qualified pre-income tax 2296
trust. 2297

(2) A "qualified pre-income tax trust" is any pre-income 2298
tax trust that makes a qualifying pre-income tax trust election 2299
as described in division (EE) (3) of this section. 2300

(3) A "qualifying pre-income tax trust election" is an 2301
election by a pre-income tax trust to subject to the tax imposed 2302
by section 5751.02 of the Revised Code the pre-income tax trust 2303
and all pass-through entities of which the trust owns or 2304
controls, directly, indirectly, or constructively through 2305
related interests, five per cent or more of the ownership or 2306
equity interests. The trustee shall notify the tax commissioner 2307
in writing of the election on or before April 15, 2006. The 2308
election, if timely made, shall be effective on and after 2309
January 1, 2006, and shall apply for all tax periods and tax 2310
years until revoked by the trustee of the trust. 2311

(4) A "pre-income tax trust" is a trust that satisfies all 2312
of the following requirements: 2313

(a) The document or instrument creating the trust was 2314
executed by the grantor before January 1, 1972; 2315

(b) The trust became irrevocable upon the creation of the 2316
trust; and 2317

(c) The grantor was domiciled in this state at the time 2318

the trust was created. 2319

(FF) "Uniformed services" means all of the following: 2320

(1) "Armed forces of the United States" as defined in 2321
section 5907.01 of the Revised Code; 2322

(2) The commissioned corps of the national oceanic and 2323
atmospheric administration; 2324

(3) The commissioned corps of the public health service. 2325

(GG) "Taxable business income" means the amount by which 2326
an individual's business income that is included in federal 2327
adjusted gross income exceeds the amount of business income the 2328
individual is authorized to deduct under division (A) (28) of 2329
this section for the taxable year. 2330

(HH) "Employer" does not include a franchisor with respect 2331
to the franchisor's relationship with a franchisee or an 2332
employee of a franchisee, unless the franchisor agrees to assume 2333
that role in writing or a court of competent jurisdiction 2334
determines that the franchisor exercises a type or degree of 2335
control over the franchisee or the franchisee's employees that 2336
is not customarily exercised by a franchisor for the purpose of 2337
protecting the franchisor's trademark, brand, or both. For 2338
purposes of this division, "franchisor" and "franchisee" have 2339
the same meanings as in 16 C.F.R. 436.1. 2340

(II) "Modified adjusted gross income" means Ohio adjusted 2341
gross income plus any amount deducted under divisions (A) (28) 2342
and (34) of this section for the taxable year. 2343

(JJ) "Qualifying Ohio educator" means an individual who, 2344
for a taxable year, qualifies as an eligible educator, as that 2345
term is defined in section 62 of the Internal Revenue Code, and 2346

who holds a certificate, license, or permit described in Chapter 2347
3319. or section 3301.071 of the Revised Code. 2348

Section 2. That existing sections 301.30, 504.04, 715.013, 2349
718.01, 1315.01, and 5747.01 of the Revised Code are hereby 2350
repealed. 2351

Section 3. The amendment by this act of sections 718.01 2352
and 5747.01 of the Revised Code applies to taxable years ending 2353
on or after the effective date of this section. 2354

Section 4. (A) As used in this section: 2355

(1) "State retirement system" means the Public Employees 2356
Retirement System, Ohio Police and Fire Pension Fund, State 2357
Teachers Retirement System, School Employees Retirement System, 2358
and State Highway Patrol Retirement System. 2359

(2) "Digital assets" has the same meaning as in section 2360
1352.01 of the Revised Code, as enacted by this act. 2361

(B) Each state retirement system shall do both of the 2362
following: 2363

(1) Evaluate the potential risks and benefits of investing 2364
assets of the system's funds in an exchange-traded fund that has 2365
holdings in digital assets; 2366

(2) Consult, to the extent practicable, with exchange- 2367
traded funds registered with the United States Securities and 2368
Exchange Commission that have holdings in digital assets. 2369

(C) Not later than one year after the effective date of 2370
this section, each state retirement system shall submit a report 2371
to the General Assembly that includes both of the following: 2372

(1) Information regarding the feasibility and potential 2373

risks and benefits of investing in an exchange-traded fund that 2374
has holdings in digital assets; 2375

(2) Options and recommendations for the state retirement 2376
system to minimize risk if it invests in an exchange-traded fund 2377
that has holdings in digital assets. 2378

Section 5. This act shall be known as the Ohio Blockchain 2379
Basics Act. 2380

Section 6. Section 5747.01 of the Revised Code is 2381
presented in this act as a composite of the section as amended 2382
by both H.B. 101 and S.B. 154 of the 135th General Assembly. The 2383
General Assembly, applying the principle stated in division (B) 2384
of section 1.52 of the Revised Code that amendments are to be 2385
harmonized if reasonably capable of simultaneous operation, 2386
finds that the composite is the resulting version of the section 2387
in effect prior to the effective date of the section as 2388
presented in this act. 2389