

**As Introduced**

**136th General Assembly**

**Regular Session**

**2025-2026**

**S. B. No. 187**

**Senators Smith, Schaffer**

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To amend sections 107.036 and 5747.98 and to enact 1  
sections 122.853 and 5747.68 of the Revised Code 2  
to temporarily authorize a refundable income tax 3  
credit for investing in a sound recording 4  
production company. 5

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

**Section 1.** That sections 107.036 and 5747.98 be amended 6  
and sections 122.853 and 5747.68 of the Revised Code be enacted 7  
to read as follows: 8

**Sec. 107.036.** (A) For each business incentive tax credit, 9  
the main operating appropriations act shall contain a detailed 10  
estimate of the total amount of credits that may be authorized 11  
in each year, an estimate of the amount of credits expected to 12  
be claimed in each year, and an estimate of the amount of 13  
credits expected to remain outstanding at the end of the 14  
biennium. The governor shall include such estimates in the state 15  
budget submitted to the general assembly pursuant to section 16  
107.03 of the Revised Code. 17

(B) As used in this section, "business incentive tax 18  
credit" means all of the following: 19

(1) The job creation tax credit under section 122.17 of 20

the Revised Code;	21
(2) The job retention tax credit under section 122.171 of the Revised Code;	22 23
(3) The historic preservation tax credit under section 149.311 of the Revised Code;	24 25
(4) The motion picture and Broadway theatrical production tax credit under section 122.85 of the Revised Code;	26 27
(5) The new markets tax credit under section 5725.33 of the Revised Code;	28 29
(6) The research and development credit under section 166.21 of the Revised Code;	30 31
(7) The small business investment credit under section 122.86 of the Revised Code;	32 33
(8) The rural growth investment credit under section 122.152 of the Revised Code;	34 35
(9) The opportunity zone investment credit under section 122.84 of the Revised Code;	36 37
(10) The transformational mixed use development credit under section 122.09 of the Revised Code;	38 39
<u>(11) The sound recording production credit under section 122.853 of the Revised Code.</u>	40 41
<b><u>Sec. 122.853. (A) As used in this section:</u></b>	42
<u>(1) "Eligible expenditures" means actual production- related costs in this state by a sound recording company for a tax credit-eligible production or actual capital costs in this state by a sound recording company for a tax credit-eligible project.</u>	43 44 45 46 47

(2) "Expenditure in this state" means the cost of either 48  
of the following: 49

(a) Acquiring tangible personal property or services in 50  
this state that are subject to tax levied under section 5739.02 51  
or 5741.02 of the Revised Code; 52

(b) Compensation for services performed within the state 53  
subject to the tax levied under section 5747.02 of the Revised 54  
Code. 55

(3) "Sound recording" means a recording of a music, 56  
poetry, or spoken performance recorded, in whole or in part, in 57  
this state. "Sound recording" does not include the audio 58  
portions of dialogue or words spoken and recorded as part of 59  
television news coverage or athletic events. 60

(4) "Sound recording production company" means a sole 61  
proprietorship or a pass-through entity engaged in the 62  
production of sound recordings. 63

(5) "Tax credit-eligible production" means the production 64  
of a sound recording, or a series of such productions occurring 65  
over a twelve-month period, certified by the director of 66  
development under division (B) of this section as eligible for 67  
the tax credit authorized under section 5747.68 of the Revised 68  
Code. 69

(6) "Tax credit-eligible project" means a capital project 70  
to construct or improve infrastructure for creating sound 71  
recording productions certified by the director of development 72  
under division (B) of this section as eligible for the tax 73  
credit authorized under section 5747.68 of the Revised Code. 74

(7) "Investor" means an individual who owns a sound 75  
production company that is a sole proprietorship or an 76

individual who owns a proportionate or distributive share of a 77  
sound recording production company that is a pass-through 78  
entity. 79

(8) "Pass-through entity" has the same meaning as in 80  
section 5733.04 of the Revised Code, but does not include a sole 81  
proprietorship. 82

(9) "Capital costs of a tax credit-eligible project" means 83  
expenditures directly related to a tax credit-eligible project, 84  
including land and land acquisition costs, construction costs, 85  
design fees, furniture, fixtures, and equipment purchased 86  
subject to a sale agreement or capital lease, but does not 87  
include general administrative costs or insurance. 88

(10) "Production-related costs" means expenditures 89  
directly related to a tax credit-eligible production. 90

(B) (1) The director of development may certify a sound 91  
recording production or sound recording infrastructure project 92  
as a tax credit-eligible production or tax credit-eligible 93  
project, respectively. A sound recording production company 94  
shall apply for certification of a sound recording production or 95  
a sound recording capital infrastructure project as a tax 96  
credit-eligible production or tax credit-eligible project, 97  
respectively, in the form and manner prescribed by the director. 98

(a) An application to certify a tax credit-eligible 99  
production shall include all of the following: 100

(i) The production's distribution plan; 101

(ii) The production's preliminary budget, including 102  
estimated eligible expenditures; 103

(iii) A description of the type of sound to be recorded; 104

<u>(iv) A list of the production's principal creative</u>	105
<u>elements, including performing artists and producers;</u>	106
<u>(v) The location, including street address, of the</u>	107
<u>recording studio or other location where production will occur;</u>	108
<u>(vi) A statement that the production will qualify as a tax</u>	109
<u>credit-eligible production;</u>	110
<u>(vii) The production's estimated start and completion</u>	111
<u>dates;</u>	112
<u>(viii) Any other information required by the director.</u>	113
<u>(b) An application to certify a tax credit-eligible</u>	114
<u>project shall include all of the following:</u>	115
<u>(i) A detailed description of the project, including the</u>	116
<u>project's location;</u>	117
<u>(ii) The project's preliminary budget, including eligible</u>	118
<u>expenditures;</u>	119
<u>(iii) A statement that the project will qualify as a tax</u>	120
<u>credit-eligible sound recording infrastructure project;</u>	121
<u>(iv) The project's estimated start and completion dates;</u>	122
<u>(v) Any other information required by the director.</u>	123
<u>(2) Upon receipt of a complete application, the director</u>	124
<u>of development may certify the sound recording production or</u>	125
<u>sound recording infrastructure project as a tax credit-eligible</u>	126
<u>production or tax credit-eligible project, respectively. If the</u>	127
<u>director receives an application that is incomplete, the</u>	128
<u>director may request that the applicant provide any omitted</u>	129
<u>information or reject the application. Within one hundred eighty</u>	130
<u>days after receiving a complete application, the director shall</u>	131

approve or reject the application, and notify the applicant of 132  
the director's decision. The director also shall notify the tax 133  
commissioner and investor of each production or project the 134  
director certifies as a tax credit-eligible production or tax 135  
credit-eligible sound recording infrastructure project. 136

The director shall reject an application if the applicant 137  
is a person, or any person owned, affiliated, or controlled, in 138  
whole or in part, by any person that either owes debt that has 139  
been certified to the attorney general under section 131.02 of 140  
the Revised Code or has declared bankruptcy under which an 141  
obligation of the person to pay or repay public funds or moneys 142  
was discharged as a part of such bankruptcy. The rejection of an 143  
application under this division does not prohibit an applicant 144  
from filing another application under this section for the same 145  
production or project. 146

(3) In making the director's determination under division 147  
(B) (2) of this section, the director shall consider each of the 148  
following factors: 149

(a) The impact of the production or project on the 150  
encouragement and development in this state of a strong capital 151  
and infrastructure base in order to achieve a more independent, 152  
self-supporting music and sound recording industry; 153

(b) The impact of the production or project on the 154  
employment of residents of this state; 155

(c) The impact of the production or project on the overall 156  
economy of this state; 157

(d) If the application is for a tax credit-eligible 158  
project, the availability of similar infrastructure facilities 159  
located within fifty miles of the proposed project. 160

(C) A sound recording production company whose sound 161  
recording production or sound recording capital infrastructure 162  
project is certified under division (B) of this section as a tax 163  
credit-eligible production or tax credit-eligible project, after 164  
such production or project is completed, may apply to the 165  
director of development to receive a refundable credit against 166  
the tax imposed under section 5747.02 of the Revised Code, which 167  
may be claimed by the company's investor or investors. The 168  
director, in consultation with the commissioner, shall prescribe 169  
the form and manner of the application under this division and 170  
the information or documentation required to be submitted with 171  
the application. 172

In addition to the application, the company shall report 173  
the eligible expenditures related to that production or project, 174  
which the director may require to be prepared by a certified 175  
public accountant. Before awarding a certificate under this 176  
division, the director may inspect the books, accounts, records, 177  
and memoranda of a sound recording production company to audit 178  
the accuracy of that report. The amount of credit awarded to 179  
investors shall be proportionately reduced by the cost to the 180  
director of any such audit. Upon receiving and examining the 181  
report, the director may disallow any reported eligible 182  
expenditure the director determines is not an eligible 183  
expenditure. If the director disallows an expenditure, the 184  
director shall issue a written notice to the sound recording 185  
production company stating that the expenditure is disallowed 186  
and the reason for the disallowance. Upon examination of the 187  
report and disallowance of any expenditure, the director shall 188  
determine eligible expenditures for the purpose of calculating 189  
the amount of the credit. 190

Subject to the aggregate credit limit in division (D) of 191

this section, upon receipt of an application under this 192  
division, the director shall issue a certificate to each 193  
applicable investor showing the amount of the credit the 194  
investor may claim under section 5747.68 of the Revised Code. 195  
The director shall calculate that credit as follows: 196

(1) The amount of the credit equals twenty-five per cent 197  
of eligible expenditures in excess of ten thousand dollars, 198  
multiplied by the investor's proportionate or distributive share 199  
of the sound production company if that company is a pass- 200  
through entity. 201

(2) The amount of credit awarded to all investors for a 202  
production or project shall not exceed seventy-five thousand 203  
dollars. If the amount of the credit, as calculated under 204  
division (C) (1) of this section, would exceed seventy-five 205  
thousand dollars, the director shall reduce the amount of credit 206  
awarded to each investor proportionately so that the total 207  
amount so awarded to all such investors equals seventy-five 208  
thousand dollars. 209

(3) No credit shall be awarded on the basis of any portion 210  
of an eligible expenditure that is also an eligible production 211  
expenditure that forms the basis of a credit awarded under 212  
section 122.85 of the Revised Code. 213

(4) No credit shall be awarded for taxable years beginning 214  
on or after January 1, 2029. 215

(D) The aggregate amount of credits certified for all 216  
investors under division (C) of this section for any fiscal year 217  
shall not exceed one million dollars. The director shall award 218  
credit certificates for tax credit-eligible productions or tax 219  
credit-eligible projects on a first-come, first-served basis. 220

(E) The director of development shall transmit a copy of 221  
each certificate to the tax commissioner. The director in 222  
consultation with the commissioner shall adopt rules in 223  
accordance with Chapter 119. of the Revised Code necessary for 224  
the administration of the credit authorized in this section. 225  
Notwithstanding any provision of section 121.95 of the Revised 226  
Code to the contrary, a regulatory restriction contained in a 227  
rule adopted under this section is not subject to sections 228  
121.95 to 121.953 of the Revised Code. 229

(F) On or before the thirty-first day of October each 230  
even-numbered year, beginning with 2026 and ending with 2030, 231  
the director of development shall prepare a report evaluating 232  
the effect of the credit authorized under this section and 233  
submit that report to the chair and ranking minority member of 234  
the house of representatives and senate standing committees 235  
dealing primarily with issues of taxation. The report shall 236  
include the overall effect of such credits, the amount of such 237  
credit certificates issued, the number of new jobs created and 238  
payroll subject to the tax under section 5747.02 of the Revised 239  
Code created as a result of the credits, the economic effect of 240  
the credits on the sound recording industry, the amount of new 241  
sounds recording infrastructure that has been developed in the 242  
state, and any other factors that describe the effect of the 243  
credits. 244

(G) The tax commissioner may assess an investor under 245  
section 5747.13 of the Revised Code for any amount of credit 246  
claimed by the investor but later determined by the commissioner 247  
or the director of development to be disallowed under this 248  
section, subject to the time limitations in that section. 249

(H) As a condition for a sound recording production 250

company's investors being awarded a credit certificate, the 251  
director of development may require a tax credit-eligible 252  
production to display the state's name or logo, as prescribed by 253  
the director. 254

**Sec. 5747.68.** (A) Any term used in this section has the 255  
same meaning as in section 122.853 of the Revised Code. 256

(B) There is allowed a refundable credit against the tax 257  
imposed by section 5747.02 of the Revised Code for any 258  
individual who, on the last day of the individual's taxable 259  
year, holds a tax credit certificate issued under section 260  
122.853 of the Revised Code. The credit shall be claimed for the 261  
taxable year that includes the date the certificate was issued. 262  
The credit amount equals the amount stated in the certificate. 263  
The credit shall be claimed in the order required under section 264  
5747.98 of the Revised Code. If the credit amount exceeds the 265  
tax otherwise due under section 5747.02 of the Revised Code 266  
after deducting all other credits in that order, the excess 267  
shall be refunded. 268

**Sec. 5747.98.** (A) To provide a uniform procedure for 269  
calculating a taxpayer's aggregate tax liability under section 270  
5747.02 of the Revised Code, a taxpayer shall claim any credits 271  
to which the taxpayer is entitled in the following order: 272

Either the retirement income credit under division (B) of 273  
section 5747.055 of the Revised Code or the lump sum retirement 274  
income credits under divisions (C), (D), and (E) of that 275  
section; 276

Either the senior citizen credit under division (F) of 277  
section 5747.055 of the Revised Code or the lump sum 278  
distribution credit under division (G) of that section; 279

The dependent care credit under section 5747.054 of the	280
Revised Code;	281
The credit for displaced workers who pay for job training	282
under section 5747.27 of the Revised Code;	283
The campaign contribution credit under section 5747.29 of	284
the Revised Code;	285
The twenty-dollar personal exemption credit under section	286
5747.022 of the Revised Code;	287
The joint filing credit under division (G) of section	288
5747.05 of the Revised Code;	289
The earned income credit under section 5747.71 of the	290
Revised Code;	291
The nonrefundable credit for education expenses under	292
section 5747.72 of the Revised Code;	293
The nonrefundable credit for donations to scholarship	294
granting organizations under section 5747.73 of the Revised	295
Code;	296
The nonrefundable credit for tuition paid to a	297
nonchartered nonpublic school under section 5747.75 of the	298
Revised Code;	299
The nonrefundable vocational job credit under section	300
5747.057 of the Revised Code;	301
The nonrefundable job retention credit under division (B)	302
of section 5747.058 of the Revised Code;	303
The enterprise zone credit under section 5709.66 of the	304
Revised Code;	305
The credit for beginning farmers who participate in a	306

financial management program under division (B) of section	307
5747.77 of the Revised Code;	308
The credit for commercial vehicle operator training	309
expenses under section 5747.82 of the Revised Code;	310
The nonrefundable welcome home Ohio (WHO) program credit	311
under section 122.633 of the Revised Code;	312
The credit for selling or renting agricultural assets to	313
beginning farmers under division (A) of section 5747.77 of the	314
Revised Code;	315
The credit for purchases of qualifying grape production	316
property under section 5747.28 of the Revised Code;	317
The small business investment credit under section 5747.81	318
of the Revised Code;	319
The nonrefundable lead abatement credit under section	320
5747.26 of the Revised Code;	321
The opportunity zone investment credit under section	322
5747.86 of the Revised Code;	323
The enterprise zone credits under section 5709.65 of the	324
Revised Code;	325
The research and development credit under section 5747.331	326
of the Revised Code;	327
The credit for rehabilitating a historic building under	328
section 5747.76 of the Revised Code;	329
The nonrefundable Ohio low-income housing tax credit under	330
section 5747.83 of the Revised Code;	331
The nonrefundable affordable single-family home credit	332
under section 5747.84 of the Revised Code;	333

The nonresident credit under division (A) of section	334
5747.05 of the Revised Code;	335
The credit for a resident's out-of-state income under	336
division (B) of section 5747.05 of the Revised Code;	337
The refundable motion picture and Broadway theatrical	338
production credit under section 5747.66 of the Revised Code;	339
The refundable credit for film and theater capital	340
improvement projects under section 5747.67 of the Revised Code;	341
The refundable jobs creation credit or job retention	342
credit under division (A) of section 5747.058 of the Revised	343
Code;	344
The refundable credit for taxes paid by a qualifying	345
entity granted under section 5747.059 of the Revised Code;	346
The refundable credits for taxes paid by a qualifying	347
pass-through entity granted under division (I) of section	348
5747.08 of the Revised Code;	349
The refundable credit under section 5747.80 of the Revised	350
Code for losses on loans made to the Ohio venture capital	351
program under sections 150.01 to 150.10 of the Revised Code;	352
The refundable credit for rehabilitating a historic	353
building under section 5747.76 of the Revised Code;	354
<u>The refundable credit for sound recording production under</u>	355
<u>section 5747.68 of the Revised Code;</u>	356
The refundable credit under section 5747.39 of the Revised	357
Code for taxes levied under section 5747.38 of the Revised Code	358
paid by an electing pass-through entity.	359
(B) For any credit, except the refundable credits	360

enumerated in this section and the credit granted under division 361  
(H) of section 5747.08 of the Revised Code, the amount of the 362  
credit for a taxable year shall not exceed the taxpayer's 363  
aggregate amount of tax due under section 5747.02 of the Revised 364  
Code, after allowing for any other credit that precedes it in 365  
the order required under this section. Any excess amount of a 366  
particular credit may be carried forward if authorized under the 367  
section creating that credit. Nothing in this chapter shall be 368  
construed to allow a taxpayer to claim, directly or indirectly, 369  
a credit more than once for a taxable year. 370

**Section 2.** That existing sections 107.036 and 5747.98 of 371  
the Revised Code are hereby repealed. 372