

\_\_\_\_\_ moved to amend as follows:

In line 1 of the title, delete "section" and insert "sections"; 1  
after "5701.11" insert "and 5747.01" 2

In line 2 of the title, after "incorporate" insert "most" 3

In line 5, delete "section" and insert "sections"; after "5701.11" 4  
insert "and 5747.01" 5

After line 42, insert: 6

"Sec. 5747.01. Except as otherwise expressly provided or 7  
clearly appearing from the context, any term used in this 8  
chapter that is not otherwise defined in this section has the 9  
same meaning as when used in a comparable context in the laws of 10  
the United States relating to federal income taxes or if not 11  
used in a comparable context in those laws, has the same meaning 12  
as in section 5733.40 of the Revised Code. Any reference in this 13  
chapter to the Internal Revenue Code includes other laws of the 14  
United States relating to federal income taxes. 15

As used in this chapter: 16



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

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

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

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

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

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

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

(b) Railroad retirement benefits, other than tier 1 railroad retirement benefits, to the extent such amounts are

exempt from state taxation under federal law.	45
(6) Deduct the amount of wages and salaries, if any, not otherwise allowable as a deduction but that would have been allowable as a deduction in computing federal adjusted gross income for the taxable year, had the work opportunity tax credit allowed and determined under sections 38, 51, and 52 of the Internal Revenue Code not been in effect.	46 47 48 49 50 51
(7) Deduct any interest or interest equivalent on public obligations and purchase obligations to the extent that the interest or interest equivalent is included in federal adjusted gross income.	52 53 54 55
(8) Add any loss or deduct any gain resulting from the sale, exchange, or other disposition of public obligations to the extent that the loss has been deducted or the gain has been included in computing federal adjusted gross income.	56 57 58 59
(9) Deduct or add amounts, as provided under section 5747.70 of the Revised Code, related to contributions made to or tuition units purchased under a qualified tuition program established pursuant to section 529 of the Internal Revenue Code.	60 61 62 63 64
(10) (a) Deduct, to the extent not otherwise allowable as a deduction or exclusion in computing federal or Ohio adjusted gross income for the taxable year, the amount the taxpayer paid during the taxable year for medical care insurance and qualified long-term care insurance for the taxpayer, the taxpayer's spouse, and dependents. No deduction for medical care insurance under division (A) (10) (a) of this section shall be allowed either to any taxpayer who is eligible to participate in any subsidized health plan maintained by any employer of the	65 66 67 68 69 70 71 72 73

taxpayer or of the taxpayer's spouse, or to any taxpayer who is 74  
entitled to, or on application would be entitled to, benefits 75  
under part A of Title XVIII of the "Social Security Act," 49 76  
Stat. 620 (1935), 42 U.S.C. 301, as amended. For the purposes of 77  
division (A)(10)(a) of this section, "subsidized health plan" 78  
means a health plan for which the employer pays any portion of 79  
the plan's cost. The deduction allowed under division (A)(10)(a) 80  
of this section shall be the net of any related premium refunds, 81  
related premium reimbursements, or related insurance premium 82  
dividends received during the taxable year. 83

(b) Deduct, to the extent not otherwise deducted or 84  
excluded in computing federal or Ohio adjusted gross income 85  
during the taxable year, the amount the taxpayer paid during the 86  
taxable year, not compensated for by any insurance or otherwise, 87  
for medical care of the taxpayer, the taxpayer's spouse, and 88  
dependents, to the extent the expenses exceed seven and one-half 89  
per cent of the taxpayer's federal adjusted gross income. 90

(c) For purposes of division (A)(10) of this section, 91  
"medical care" has the meaning given in section 213 of the 92  
Internal Revenue Code, subject to the special rules, 93  
limitations, and exclusions set forth therein, and "qualified 94  
long-term care" has the same meaning given in section 7702B(c) 95  
of the Internal Revenue Code. Solely for purposes of division 96  
(A)(10)(a) of this section, "dependent" includes a person who 97  
otherwise would be a "qualifying relative" and thus a 98  
"dependent" under section 152 of the Internal Revenue Code but 99  
for the fact that the person fails to meet the income and 100  
support limitations under section 152(d)(1)(B) and (C) of the 101  
Internal Revenue Code. 102

(11) (a) Deduct any amount included in federal adjusted 103

gross income solely because the amount represents a 104  
reimbursement or refund of expenses that in any year the 105  
taxpayer had deducted as an itemized deduction pursuant to 106  
section 63 of the Internal Revenue Code and applicable United 107  
States department of the treasury regulations. The deduction 108  
otherwise allowed under division (A) (11) (a) of this section 109  
shall be reduced to the extent the reimbursement is attributable 110  
to an amount the taxpayer deducted under this section in any 111  
taxable year. 112

(b) Add any amount not otherwise included in Ohio adjusted 113  
gross income for any taxable year to the extent that the amount 114  
is attributable to the recovery during the taxable year of any 115  
amount deducted or excluded in computing federal or Ohio 116  
adjusted gross income in any taxable year. 117

(12) Deduct any portion of the deduction described in 118  
section 1341(a) (2) of the Internal Revenue Code, for repaying 119  
previously reported income received under a claim of right, that 120  
meets both of the following requirements: 121

(a) It is allowable for repayment of an item that was 122  
included in the taxpayer's adjusted gross income for a prior 123  
taxable year and did not qualify for a credit under division (A) 124  
or (B) of section 5747.05 of the Revised Code for that year; 125

(b) It does not otherwise reduce the taxpayer's adjusted 126  
gross income for the current or any other taxable year. 127

(13) Deduct an amount equal to the deposits made to, and 128  
net investment earnings of, a medical savings account during the 129  
taxable year, in accordance with section 3924.66 of the Revised 130  
Code. The deduction allowed by division (A) (13) of this section 131  
does not apply to medical savings account deposits and earnings 132

otherwise deducted or excluded for the current or any other 133  
taxable year from the taxpayer's federal adjusted gross income. 134

(14) (a) Add an amount equal to the funds withdrawn from a 135  
medical savings account during the taxable year, and the net 136  
investment earnings on those funds, when the funds withdrawn 137  
were used for any purpose other than to reimburse an account 138  
holder for, or to pay, eligible medical expenses, in accordance 139  
with section 3924.66 of the Revised Code; 140

(b) Add the amounts distributed from a medical savings 141  
account under division (A) (2) of section 3924.68 of the Revised 142  
Code during the taxable year. 143

(15) Add any amount claimed as a credit under section 144  
5747.059 of the Revised Code to the extent that such amount 145  
satisfies either of the following: 146

(a) The amount was deducted or excluded from the 147  
computation of the taxpayer's federal adjusted gross income as 148  
required to be reported for the taxpayer's taxable year under 149  
the Internal Revenue Code; 150

(b) The amount resulted in a reduction of the taxpayer's 151  
federal adjusted gross income as required to be reported for any 152  
of the taxpayer's taxable years under the Internal Revenue Code. 153

(16) Deduct the amount contributed by the taxpayer to an 154  
individual development account program established by a county 155  
department of job and family services pursuant to sections 156  
329.11 to 329.14 of the Revised Code for the purpose of matching 157  
funds deposited by program participants. On request of the tax 158  
commissioner, the taxpayer shall provide any information that, 159  
in the tax commissioner's opinion, is necessary to establish the 160  
amount deducted under division (A) (16) of this section. 161

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

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

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

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

allowed to the taxpayer by subsection (k) of section 168 of the Internal Revenue Code, and including the taxpayer's proportionate or distributive shares of such amounts allowed to any such pass-through entities.

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

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

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

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

(d) For the purposes of division (A) (17) (a) (v) of this section, net operating loss carryback and carryforward shall not

include the allowance of any net operating loss deduction 221  
carryback or carryforward to the taxable year to the extent such 222  
loss resulted from depreciation allowed by section 168(k) of the 223  
Internal Revenue Code and by the qualifying section 179 224  
depreciation expense amount. 225

(e) For the purposes of divisions (A) (17) and (18) of this 226  
section: 227

(i) "Income taxes withheld" means the total amount 228  
withheld and remitted under sections 5747.06 and 5747.07 of the 229  
Revised Code by an employer during the employer's taxable year. 230

(ii) "Increase in income taxes withheld" means the amount 231  
by which the amount of income taxes withheld by an employer 232  
during the employer's current taxable year exceeds the amount of 233  
income taxes withheld by that employer during the employer's 234  
immediately preceding taxable year. 235

(iii) "Qualifying section 179 depreciation expense" means 236  
the difference between (I) the amount of depreciation expense 237  
directly or indirectly allowed to a taxpayer under section 179 238  
of the Internal Revised Code, and (II) the amount of 239  
depreciation expense directly or indirectly allowed to the 240  
taxpayer under section 179 of the Internal Revenue Code as that 241  
section existed on December 31, 2002. 242

(18) (a) If the taxpayer was required to add an amount 243  
under division (A) (17) (a) of this section for a taxable year, 244  
deduct one of the following: 245

(i) One-fifth of the amount so added for each of the five 246  
succeeding taxable years if the amount so added was five-sixths 247  
of qualifying section 179 depreciation expense or depreciation 248  
expense allowed by subsection (k) of section 168 of the Internal 249

Revenue Code;	250
(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;	251 252 253
(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.	254 255 256
(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 deduction 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.	257 258 259 260 261 262 263 264
(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.	265 266 267 268 269 270 271 272 273 274 275 276 277
(19) Deduct, to the extent not otherwise deducted or	278

excluded in computing federal or Ohio adjusted gross income for 279  
the taxable year, the amount the taxpayer received during the 280  
taxable year as reimbursement for life insurance premiums under 281  
section 5919.31 of the Revised Code. 282

(20) Deduct, to the extent not otherwise deducted or 283  
excluded in computing federal or Ohio adjusted gross income for 284  
the taxable year, the amount the taxpayer received during the 285  
taxable year as a death benefit paid by the adjutant general 286  
under section 5919.33 of the Revised Code. 287

(21) Deduct, to the extent included in federal adjusted 288  
gross income and not otherwise allowable as a deduction or 289  
exclusion in computing federal or Ohio adjusted gross income for 290  
the taxable year, military pay and allowances received by the 291  
taxpayer during the taxable year for active duty service in the 292  
armed forces of the United States, as defined in section 5907.01 293  
of the Revised Code, or reserve components thereof or the 294  
national guard. The deduction may not be claimed for military 295  
pay and allowances received by the taxpayer while the taxpayer 296  
is stationed in this state. 297

(22) Deduct, to the extent not otherwise allowable as a 298  
deduction or exclusion in computing federal or Ohio adjusted 299  
gross income for the taxable year and not otherwise compensated 300  
for by any other source, the amount of qualified organ donation 301  
expenses incurred by the taxpayer during the taxable year, not 302  
to exceed ten thousand dollars. A taxpayer may deduct qualified 303  
organ donation expenses only once for all taxable years 304  
beginning with taxable years beginning in 2007. 305

For the purposes of division (A) (22) of this section: 306

(a) "Human organ" means all or any portion of a human 307

liver, pancreas, kidney, intestine, or lung, and any portion of 308  
human bone marrow. 309

(b) "Qualified organ donation expenses" means travel 310  
expenses, lodging expenses, and wages and salary forgone by a 311  
taxpayer in connection with the taxpayer's donation, while 312  
living, of one or more of the taxpayer's human organs to another 313  
human being. 314

(23) Deduct, to the extent not otherwise deducted or 315  
excluded in computing federal or Ohio adjusted gross income for 316  
the taxable year, amounts received by the taxpayer as retired 317  
personnel pay for service in the uniformed services or reserve 318  
components thereof, or the national guard, or received by the 319  
surviving spouse or former spouse of such a taxpayer under the 320  
survivor benefit plan on account of such a taxpayer's death. If 321  
the taxpayer receives income on account of retirement paid under 322  
the federal civil service retirement system or federal employees 323  
retirement system, or under any successor retirement program 324  
enacted by the congress of the United States that is established 325  
and maintained for retired employees of the United States 326  
government, and such retirement income is based, in whole or in 327  
part, on credit for the taxpayer's uniformed service, the 328  
deduction allowed under this division shall include only that 329  
portion of such retirement income that is attributable to the 330  
taxpayer's uniformed service, to the extent that portion of such 331  
retirement income is otherwise included in federal adjusted 332  
gross income and is not otherwise deducted under this section. 333  
Any amount deducted under division (A) (23) of this section is 334  
not included in a taxpayer's adjusted gross income for the 335  
purposes of section 5747.055 of the Revised Code. No amount may 336  
be deducted under division (A) (23) of this section on the basis 337  
of which a credit was claimed under section 5747.055 of the 338

Revised Code.	339
(24) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for the taxable year, the amount the taxpayer received during the taxable year from the military injury relief fund created in section 5902.05 of the Revised Code.	340 341 342 343 344
(25) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for the taxable year, the amount the taxpayer received as a veterans bonus during the taxable year from the Ohio department of veterans services as authorized by Section 2r of Article VIII, Ohio Constitution.	345 346 347 348 349 350
(26) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for the taxable year, any income derived from a transfer agreement or from the enterprise transferred under that agreement under section 4313.02 of the Revised Code.	351 352 353 354 355
(27) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for the taxable year, Ohio college opportunity or federal Pell grant amounts received by the taxpayer or the taxpayer's spouse or dependent pursuant to section 3333.122 of the Revised Code or 20 U.S.C. 1070a, et seq., and used to pay room or board furnished by the educational institution for which the grant was awarded at the institution's facilities, including meal plans administered by the institution. For the purposes of this division, receipt of a grant includes the distribution of a grant directly to an educational institution and the crediting of the grant to the enrollee's account with the institution.	356 357 358 359 360 361 362 363 364 365 366 367

(28) Deduct from the portion of an individual's federal adjusted gross income that is business income, to the extent not otherwise deducted or excluded in computing federal adjusted gross income for the taxable year, one hundred twenty-five thousand dollars for each spouse if spouses file separate returns under section 5747.08 of the Revised Code or two hundred fifty thousand dollars for all other individuals.	368 369 370 371 372 373 374
(29) Deduct, as provided under section 5747.78 of the Revised Code, contributions to ABLE savings accounts made in accordance with sections 113.50 to 113.56 of the Revised Code.	375 376 377
(30) (a) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income during the taxable year, all of the following:	378 379 380
(i) Compensation paid to a qualifying employee described in division (A) (14) (a) of section 5703.94 of the Revised Code to the extent such compensation is for disaster work conducted in this state during a disaster response period pursuant to a qualifying solicitation received by the employee's employer;	381 382 383 384 385
(ii) Compensation paid to a qualifying employee described in division (A) (14) (b) of section 5703.94 of the Revised Code to the extent such compensation is for disaster work conducted in this state by the employee during the disaster response period on critical infrastructure owned or used by the employee's employer;	386 387 388 389 390 391
(iii) Income received by an out-of-state disaster business for disaster work conducted in this state during a disaster response period, or, if the out-of-state disaster business is a pass-through entity, a taxpayer's distributive share of the pass-through entity's income from the business conducting	392 393 394 395 396

disaster work in this state during a disaster response period, 397  
if, in either case, the disaster work is conducted pursuant to a 398  
qualifying solicitation received by the business. 399

(b) All terms used in division (A) (30) of this section 400  
have the same meanings as in section 5703.94 of the Revised 401  
Code. 402

(31) For a taxpayer who is a qualifying Ohio educator, 403  
deduct, to the extent not otherwise deducted or excluded in 404  
computing federal or Ohio adjusted gross income for the taxable 405  
year, the lesser of three hundred dollars or the amount of 406  
expenses described in subsections (a) (2) (D) (i) and (ii) of 407  
section 62 of the Internal Revenue Code paid or incurred by the 408  
taxpayer during the taxpayer's taxable year in excess of the 409  
amount the taxpayer is authorized to deduct for that taxable 410  
year under subsection (a) (2) (D) of that section. 411

(32) Deduct, to the extent not otherwise deducted or 412  
excluded in computing federal or Ohio adjusted gross income for 413  
the taxable year, amounts received by the taxpayer as a 414  
disability severance payment, computed under 10 U.S.C. 1212, 415  
following discharge or release under honorable conditions from 416  
the armed forces of the United States, as defined in section 417  
5907.01 of the Revised Code. 418

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

(34) Deduct amounts as provided under section 5747.79 of 424  
the Revised Code related to the taxpayer's qualifying capital 425

gains and deductible payroll. 426

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

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

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

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

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

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

(d) To the extent a capital gain described in division (A) 452  
(35) (a) of this section is business income, the taxpayer shall 453

apply that division before applying division (A) (28) of this 454  
section. 455

(36) Add, to the extent not otherwise included in 456  
computing federal or Ohio adjusted gross income for any taxable 457  
year, the taxpayer's proportionate share of the amount of the 458  
tax levied under section 5747.38 of the Revised Code and paid by 459  
an electing pass-through entity for the taxable year. 460

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

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

(38) Deduct, to the extent not otherwise deducted or 478  
excluded in computing federal or Ohio adjusted gross income for 479  
the taxable year, amounts received under the Ohio adoption grant 480  
program pursuant to section 5180.451 of the Revised Code. 481

(39) Deduct, to the extent included in federal adjusted 482

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

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

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

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

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

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

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

Notwithstanding any provision of the Revised Code to the contrary, the portion of the addition required by division (A)

(41) of this section related to the apportioned business income 511  
of the pass-through entity shall be considered business income 512  
under division (B) of this section. Such addition is eligible 513  
for the deduction in division (A) (28) of this section, subject 514  
to the applicable dollar limitations, and the tax rate 515  
prescribed by division (A) (4) (a) of section 5747.02 of the 516  
Revised Code. The taxpayer shall provide, upon request of the 517  
tax commissioner, any documentation necessary to verify the 518  
portion of the addition that is business income under this 519  
division. 520

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

(43) If the taxpayer is the account owner of a 524  
homeownership savings account, upon withdrawal or transfer of 525  
funds from the account, or closure of the account containing 526  
funds that are not used for eligible expenses, add the amount of 527  
such funds not used for an eligible expense. The addition 528  
required under this division shall not exceed the sum of the 529  
amounts deducted by the taxpayer for such account under division 530  
(A) (42) of this section in any taxable year and the amount of 531  
any funds deposited in the account by a contributor other than 532  
the account owner. As used in division (A) (43) of this section, 533  
"homeownership savings account," "contributor," "account owner," 534  
and "eligible expenses" have the same meanings as in section 535  
5747.85 of the Revised Code. 536

(44) Deduct, to the extent not otherwise deducted or 537  
excluded in computing federal or Ohio adjusted gross income 538  
during the taxable year, up to seven hundred fifty dollars of 539  
contributions the taxpayer makes to a pregnancy resource center 540

that meets the criteria in division (B) of section 5180.71 of 541  
the Revised Code. 542

(45) Add an amount equal to the difference between the 543  
amount of gain from the sale or exchange of qualified small 544  
business stock that the taxpayer excluded in computing federal 545  
adjusted income pursuant to section 1202 of the Internal Revenue 546  
Code for the taxable year minus the amount of such gain that the 547  
taxpayer would be allowed to exclude if it were not for the 548  
amendment to section 1202 of the Internal Revenue Code by the 549  
"One Big Beautiful Bill Act," Pub. L. No. 119-21, including the 550  
taxpayer's proportionate or distributive share of that amount 551  
excluded by a pass-through entity in which the taxpayer has a 552  
direct or indirect ownership interest. 553

(B) "Business income" means income, including gain or 554  
loss, arising from transactions, activities, and sources in the 555  
regular course of a trade or business and includes income, gain, 556  
or loss from real property, tangible property, and intangible 557  
property if the acquisition, rental, management, and disposition 558  
of the property constitute integral parts of the regular course 559  
of a trade or business operation. "Business income" includes 560  
income, including gain or loss, from a partial or complete 561  
liquidation of a business, including, but not limited to, gain 562  
or loss from the sale or other disposition of goodwill or the 563  
sale of an equity or ownership interest in a business. 564

As used in this division, the "sale of an equity or 565  
ownership interest in a business" means sales to which either or 566  
both of the following apply: 567

(1) The sale is treated for federal income tax purposes as 568  
the sale of assets. 569

(2) The seller materially participated, as described in 26 C.F.R. 1.469-5T, in the activities of the business during the taxable year in which the sale occurs or during any of the five preceding taxable years.	570 571 572 573
(C) "Nonbusiness income" means all income other than business income and may include, but is not limited to, compensation, rents and royalties from real or tangible personal property, capital gains, interest, dividends and distributions, patent or copyright royalties, or lottery winnings, prizes, and awards.	574 575 576 577 578 579
(D) "Compensation" means any form of remuneration paid to an employee for personal services.	580 581
(E) "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any other person acting in any fiduciary capacity for any individual, trust, or estate.	582 583 584
(F) "Fiscal year" means an accounting period of twelve months ending on the last day of any month other than December.	585 586
(G) "Individual" means any natural person.	587
(H) "Internal Revenue Code" means the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended.	588 589
(I) "Resident" means any of the following:	590
(1) An individual who is domiciled in this state, subject to section 5747.24 of the Revised Code;	591 592
(2) The estate of a decedent who at the time of death was domiciled in this state. The domicile tests of section 5747.24 of the Revised Code are not controlling for purposes of division (I) (2) of this section.	593 594 595 596

(3) A trust that, in whole or part, resides in this state. 597  
If only part of a trust resides in this state, the trust is a 598  
resident only with respect to that part. 599

For the purposes of division (I) (3) of this section: 600

(a) A trust resides in this state for the trust's current 601  
taxable year to the extent, as described in division (I) (3) (d) 602  
of this section, that the trust consists directly or indirectly, 603  
in whole or in part, of assets, net of any related liabilities, 604  
that were transferred, or caused to be transferred, directly or 605  
indirectly, to the trust by any of the following: 606

(i) A person, a court, or a governmental entity or 607  
instrumentality on account of the death of a decedent, but only 608  
if the trust is described in division (I) (3) (e) (i) or (ii) of 609  
this section; 610

(ii) A person who was domiciled in this state for the 611  
purposes of this chapter when the person directly or indirectly 612  
transferred assets to an irrevocable trust, but only if at least 613  
one of the trust's qualifying beneficiaries is domiciled in this 614  
state for the purposes of this chapter during all or some 615  
portion of the trust's current taxable year; 616

(iii) A person who was domiciled in this state for the 617  
purposes of this chapter when the trust document or instrument 618  
or part of the trust document or instrument became irrevocable, 619  
but only if at least one of the trust's qualifying beneficiaries 620  
is a resident domiciled in this state for the purposes of this 621  
chapter during all or some portion of the trust's current 622  
taxable year. If a trust document or instrument became 623  
irrevocable upon the death of a person who at the time of death 624  
was domiciled in this state for purposes of this chapter, that 625

person is a person described in division (I) (3) (a) (iii) of this section. 626  
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(b) A trust is irrevocable to the extent that the transferor is not considered to be the owner of the net assets of the trust under sections 671 to 678 of the Internal Revenue Code. 628  
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(c) With respect to a trust other than a charitable lead trust, "qualifying beneficiary" has the same meaning as "potential current beneficiary" as defined in section 1361(e) (2) of the Internal Revenue Code, and with respect to a charitable lead trust "qualifying beneficiary" is any current, future, or contingent beneficiary, but with respect to any trust "qualifying beneficiary" excludes a person or a governmental entity or instrumentality to any of which a contribution would qualify for the charitable deduction under section 170 of the Internal Revenue Code. 632  
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(d) For the purposes of division (I) (3) (a) of this section, the extent to which a trust consists directly or indirectly, in whole or in part, of assets, net of any related liabilities, that were transferred directly or indirectly, in whole or part, to the trust by any of the sources enumerated in that division shall be ascertained by multiplying the fair market value of the trust's assets, net of related liabilities, by the qualifying ratio, which shall be computed as follows: 642  
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(i) The first time the trust receives assets, the numerator of the qualifying ratio is the fair market value of those assets at that time, net of any related liabilities, from sources enumerated in division (I) (3) (a) of this section. The denominator of the qualifying ratio is the fair market value of all the trust's assets at that time, net of any related 650  
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liabilities. 656

(ii) Each subsequent time the trust receives assets, a 657  
revised qualifying ratio shall be computed. The numerator of the 658  
revised qualifying ratio is the sum of (1) the fair market value 659  
of the trust's assets immediately prior to the subsequent 660  
transfer, net of any related liabilities, multiplied by the 661  
qualifying ratio last computed without regard to the subsequent 662  
transfer, and (2) the fair market value of the subsequently 663  
transferred assets at the time transferred, net of any related 664  
liabilities, from sources enumerated in division (I) (3) (a) of 665  
this section. The denominator of the revised qualifying ratio is 666  
the fair market value of all the trust's assets immediately 667  
after the subsequent transfer, net of any related liabilities. 668

(iii) Whether a transfer to the trust is by or from any of 669  
the sources enumerated in division (I) (3) (a) of this section 670  
shall be ascertained without regard to the domicile of the 671  
trust's beneficiaries. 672

(e) For the purposes of division (I) (3) (a) (i) of this 673  
section: 674

(i) A trust is described in division (I) (3) (e) (i) of this 675  
section if the trust is a testamentary trust and the testator of 676  
that testamentary trust was domiciled in this state at the time 677  
of the testator's death for purposes of the taxes levied under 678  
Chapter 5731. of the Revised Code. 679

(ii) A trust is described in division (I) (3) (e) (ii) of 680  
this section if the transfer is a qualifying transfer described 681  
in any of divisions (I) (3) (f) (i) to (vi) of this section, the 682  
trust is an irrevocable inter vivos trust, and at least one of 683  
the trust's qualifying beneficiaries is domiciled in this state 684

for purposes of this chapter during all or some portion of the trust's current taxable year.

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

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

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

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

(iv) The transfer is made to a trust on account of a contractual relationship existing directly or indirectly between the transferor and another person who at the time of the

decedent's death was domiciled in this state for purposes of 714  
this chapter. 715

(v) The transfer is made to a trust on account of the will 716  
of a testator who was domiciled in this state at the time of the 717  
testator's death for purposes of the taxes levied under Chapter 718  
5731. of the Revised Code. 719

(vi) The transfer is made to a trust created by or caused 720  
to be created by a court, and the trust was directly or 721  
indirectly created in connection with or as a result of the 722  
death of an individual who, for purposes of the taxes levied 723  
under Chapter 5731. of the Revised Code, was domiciled in this 724  
state at the time of the individual's death. 725

(g) The tax commissioner may adopt rules to ascertain the 726  
part of a trust residing in this state. 727

(J) "Nonresident" means an individual or estate that is 728  
not a resident. An individual who is a resident for only part of 729  
a taxable year is a nonresident for the remainder of that 730  
taxable year. 731

(K) "Pass-through entity" has the same meaning as in 732  
section 5733.04 of the Revised Code. 733

(L) "Return" means the notifications and reports required 734  
to be filed pursuant to this chapter for the purpose of 735  
reporting the tax due and includes declarations of estimated tax 736  
when so required. 737

(M) "Taxable year" means the calendar year or the 738  
taxpayer's fiscal year ending during the calendar year, or 739  
fractional part thereof, upon which the adjusted gross income is 740  
calculated pursuant to this chapter. 741

(N) "Taxpayer" means any person subject to the tax imposed 742  
by section 5747.02 of the Revised Code or any pass-through 743  
entity that makes the election under division (D) of section 744  
5747.08 of the Revised Code. 745

(O) "Dependents" means one of the following: 746

(1) For taxable years beginning on or after January 1, 747  
2018, and before January 1, 2026, dependents as defined in the 748  
Internal Revenue Code; 749

(2) For all other taxable years, dependents as defined in 750  
the Internal Revenue Code and as claimed in the taxpayer's 751  
federal income tax return for the taxable year or which the 752  
taxpayer would have been permitted to claim had the taxpayer 753  
filed a federal income tax return. 754

(P) "Principal county of employment" means, in the case of 755  
a nonresident, the county within the state in which a taxpayer 756  
performs services for an employer or, if those services are 757  
performed in more than one county, the county in which the major 758  
portion of the services are performed. 759

(Q) As used in sections 5747.50 to 5747.55 of the Revised 760  
Code: 761

(1) "Subdivision" means any county, municipal corporation, 762  
park district, or township. 763

(2) "Essential local government purposes" includes all 764  
functions that any subdivision is required by general law to 765  
exercise, including like functions that are exercised under a 766  
charter adopted pursuant to the Ohio Constitution. 767

(R) "Overpayment" means any amount already paid that 768  
exceeds the figure determined to be the correct amount of the 769

tax.	770
(S) "Taxable income" or "Ohio taxable income" applies only	771
to estates and trusts, and means federal taxable income, as	772
defined and used in the Internal Revenue Code, adjusted as	773
follows:	774
(1) Add interest or dividends, net of ordinary, necessary,	775
and reasonable expenses not deducted in computing federal	776
taxable income, on obligations or securities of any state or of	777
any political subdivision or authority of any state, other than	778
this state and its subdivisions and authorities, but only to the	779
extent that such net amount is not otherwise includible in Ohio	780
taxable income and is described in either division (S) (1) (a) or	781
(b) of this section:	782
(a) The net amount is not attributable to the S portion of	783
an electing small business trust and has not been distributed to	784
beneficiaries for the taxable year;	785
(b) The net amount is attributable to the S portion of an	786
electing small business trust for the taxable year.	787
(2) Add interest or dividends, net of ordinary, necessary,	788
and reasonable expenses not deducted in computing federal	789
taxable income, on obligations of any authority, commission,	790
instrumentality, territory, or possession of the United States	791
to the extent that the interest or dividends are exempt from	792
federal income taxes but not from state income taxes, but only	793
to the extent that such net amount is not otherwise includible	794
in Ohio taxable income and is described in either division (S)	795
(1) (a) or (b) of this section;	796
(3) Add the amount of personal exemption allowed to the	797
estate pursuant to section 642(b) of the Internal Revenue Code;	798

(4) Deduct interest or dividends, net of related expenses	799
deducted in computing federal taxable income, on obligations of	800
the United States and its territories and possessions or of any	801
authority, commission, or instrumentality of the United States	802
to the extent that the interest or dividends are exempt from	803
state taxes under the laws of the United States, but only to the	804
extent that such amount is included in federal taxable income	805
and is described in either division (S) (1) (a) or (b) of this	806
section;	807
(5) Deduct the amount of wages and salaries, if any, not	808
otherwise allowable as a deduction but that would have been	809
allowable as a deduction in computing federal taxable income for	810
the taxable year, had the work opportunity tax credit allowed	811
under sections 38, 51, and 52 of the Internal Revenue Code not	812
been in effect, but only to the extent such amount relates	813
either to income included in federal taxable income for the	814
taxable year or to income of the S portion of an electing small	815
business trust for the taxable year;	816
(6) Deduct any interest or interest equivalent, net of	817
related expenses deducted in computing federal taxable income,	818
on public obligations and purchase obligations, but only to the	819
extent that such net amount relates either to income included in	820
federal taxable income for the taxable year or to income of the	821
S portion of an electing small business trust for the taxable	822
year;	823
(7) Add any loss or deduct any gain resulting from sale,	824
exchange, or other disposition of public obligations to the	825
extent that such loss has been deducted or such gain has been	826
included in computing either federal taxable income or income of	827
the S portion of an electing small business trust for the	828

taxable year;	829
(8) Except in the case of the final return of an estate,	830
add any amount deducted by the taxpayer on both its Ohio estate	831
tax return pursuant to section 5731.14 of the Revised Code, and	832
on its federal income tax return in determining federal taxable	833
income;	834
(9) (a) Deduct any amount included in federal taxable	835
income solely because the amount represents a reimbursement or	836
refund of expenses that in a previous year the decedent had	837
deducted as an itemized deduction pursuant to section 63 of the	838
Internal Revenue Code and applicable treasury regulations. The	839
deduction otherwise allowed under division (S) (9) (a) of this	840
section shall be reduced to the extent the reimbursement is	841
attributable to an amount the taxpayer or decedent deducted	842
under this section in any taxable year.	843
(b) Add any amount not otherwise included in Ohio taxable	844
income for any taxable year to the extent that the amount is	845
attributable to the recovery during the taxable year of any	846
amount deducted or excluded in computing federal or Ohio taxable	847
income in any taxable year, but only to the extent such amount	848
has not been distributed to beneficiaries for the taxable year.	849
(10) Deduct any portion of the deduction described in	850
section 1341(a) (2) of the Internal Revenue Code, for repaying	851
previously reported income received under a claim of right, that	852
meets both of the following requirements:	853
(a) It is allowable for repayment of an item that was	854
included in the taxpayer's taxable income or the decedent's	855
adjusted gross income for a prior taxable year and did not	856
qualify for a credit under division (A) or (B) of section	857

5747.05 of the Revised Code for that year. 858

(b) It does not otherwise reduce the taxpayer's taxable 859  
income or the decedent's adjusted gross income for the current 860  
or any other taxable year. 861

(11) Add any amount claimed as a credit under section 862  
5747.059 of the Revised Code to the extent that the amount 863  
satisfies either of the following: 864

(a) The amount was deducted or excluded from the 865  
computation of the taxpayer's federal taxable income as required 866  
to be reported for the taxpayer's taxable year under the 867  
Internal Revenue Code; 868

(b) The amount resulted in a reduction in the taxpayer's 869  
federal taxable income as required to be reported for any of the 870  
taxpayer's taxable years under the Internal Revenue Code. 871

(12) Deduct any amount, net of related expenses deducted 872  
in computing federal taxable income, that a trust is required to 873  
report as farm income on its federal income tax return, but only 874  
if the assets of the trust include at least ten acres of land 875  
satisfying the definition of "land devoted exclusively to 876  
agricultural use" under section 5713.30 of the Revised Code, 877  
regardless of whether the land is valued for tax purposes as 878  
such land under sections 5713.30 to 5713.38 of the Revised Code. 879  
If the trust is a pass-through entity investor, section 5747.231 880  
of the Revised Code applies in ascertaining if the trust is 881  
eligible to claim the deduction provided by division (S) (12) of 882  
this section in connection with the pass-through entity's farm 883  
income. 884

Except for farm income attributable to the S portion of an 885  
electing small business trust, the deduction provided by 886

division (S) (12) of this section is allowed only to the extent	887
that the trust has not distributed such farm income.	888
(13) Add the net amount of income described in section	889
641(c) of the Internal Revenue Code to the extent that amount is	890
not included in federal taxable income.	891
(14) Add or deduct the amount the taxpayer would be	892
required to add or deduct under division (A) (17) or (18) of this	893
section if the taxpayer's Ohio taxable income was computed in	894
the same manner as an individual's Ohio adjusted gross income is	895
computed under this section.	896
(15) Add, to the extent not otherwise included in	897
computing taxable income or Ohio taxable income for any taxable	898
year, the taxpayer's proportionate share of the amount of the	899
tax levied under section 5747.38 of the Revised Code and paid by	900
an electing pass-through entity for the taxable year.	901
(16) Add any income taxes deducted in computing federal	902
taxable income or Ohio taxable income to the extent the income	903
taxes were derived from income subject to a tax levied in	904
another state or the District of Columbia when such tax was	905
enacted for purposes of complying with internal revenue service	906
notice 2020-75.	907
(T) "School district income" and "school district income	908
tax" have the same meanings as in section 5748.01 of the Revised	909
Code.	910
(U) As used in divisions (A) (7), (A) (8), (S) (6), and (S)	911
(7) of this section, "public obligations," "purchase	912
obligations," and "interest or interest equivalent" have the	913
same meanings as in section 5709.76 of the Revised Code.	914

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

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

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

(Y) "Month" means a calendar month.

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

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

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

(a) The book value of the qualifying investee's physical assets in this state and everywhere, as of the last day of the qualifying investee's fiscal or calendar year ending immediately

prior to the date on which the trust recognizes the gain or loss, is available to the trust. 943  
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(b) The requirements of section 5747.011 of the Revised Code are satisfied for the trust's taxable year in which the trust recognizes the gain or loss. 945  
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Any gain or loss that is not a qualifying trust amount is modified business income, qualifying investment income, or modified nonbusiness income, as the case may be. 948  
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(3) "Modified nonbusiness income" means a trust's Ohio taxable income other than modified business income, other than the qualifying trust amount, and other than qualifying investment income, as defined in section 5747.012 of the Revised Code, to the extent such qualifying investment income is not otherwise part of modified business income. 951  
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(4) "Modified Ohio taxable income" applies only to trusts, and means the sum of the amounts described in divisions (AA) (4) (a) to (c) of this section: 957  
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(a) The fraction, calculated under section 5747.013, and applying section 5747.231 of the Revised Code, multiplied by the sum of the following amounts: 960  
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(i) The trust's modified business income; 963

(ii) The trust's qualifying investment income, as defined in section 5747.012 of the Revised Code, but only to the extent the qualifying investment income does not otherwise constitute modified business income and does not otherwise constitute a qualifying trust amount. 964  
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(b) The qualifying trust amount multiplied by a fraction, the numerator of which is the sum of the book value of the 969  
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qualifying investee's physical assets in this state on the last 971  
day of the qualifying investee's fiscal or calendar year ending 972  
immediately prior to the day on which the trust recognizes the 973  
qualifying trust amount, and the denominator of which is the sum 974  
of the book value of the qualifying investee's total physical 975  
assets everywhere on the last day of the qualifying investee's 976  
fiscal or calendar year ending immediately prior to the day on 977  
which the trust recognizes the qualifying trust amount. If, for 978  
a taxable year, the trust recognizes a qualifying trust amount 979  
with respect to more than one qualifying investee, the amount 980  
described in division (AA) (4) (b) of this section shall equal the 981  
sum of the products so computed for each such qualifying 982  
investee. 983

(c) (i) With respect to a trust or portion of a trust that 984  
is a resident as ascertained in accordance with division (I) (3) 985  
(d) of this section, its modified nonbusiness income. 986

(ii) With respect to a trust or portion of a trust that is 987  
not a resident as ascertained in accordance with division (I) (3) 988  
(d) of this section, the amount of its modified nonbusiness 989  
income satisfying the descriptions in divisions (B) (2) to (5) of 990  
section 5747.20 of the Revised Code, except as otherwise 991  
provided in division (AA) (4) (c) (ii) of this section. With 992  
respect to a trust or portion of a trust that is not a resident 993  
as ascertained in accordance with division (I) (3) (d) of this 994  
section, the trust's portion of modified nonbusiness income 995  
recognized from the sale, exchange, or other disposition of a 996  
debt interest in or equity interest in a section 5747.212 997  
entity, as defined in section 5747.212 of the Revised Code, 998  
without regard to division (A) of that section, shall not be 999  
allocated to this state in accordance with section 5747.20 of 1000  
the Revised Code but shall be apportioned to this state in 1001

accordance with division (B) of section 5747.212 of the Revised Code without regard to division (A) of that section.

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

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

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

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

of the equity of a pass-through entity, then the qualifying 1032  
investee and the other members are deemed to own the 1033  
proportionate share of the pass-through entity's physical assets 1034  
which the pass-through entity directly or indirectly owns on the 1035  
last day of the pass-through entity's calendar or fiscal year 1036  
ending within or with the last day of the qualifying investee's 1037  
fiscal or calendar year ending immediately prior to the date on 1038  
which the trust recognizes the qualifying trust amount. 1039

(iii) For the purposes of division (AA) (5) (a) (iii) of this 1040  
section, "upper level pass-through entity" means a pass-through 1041  
entity directly or indirectly owning any equity of another pass- 1042  
through entity, and "lower level pass-through entity" means that 1043  
other pass-through entity. 1044

An upper level pass-through entity, whether or not it is 1045  
also a qualifying investee, is deemed to own, on the last day of 1046  
the upper level pass-through entity's calendar or fiscal year, 1047  
the proportionate share of the lower level pass-through entity's 1048  
physical assets that the lower level pass-through entity 1049  
directly or indirectly owns on the last day of the lower level 1050  
pass-through entity's calendar or fiscal year ending within or 1051  
with the last day of the upper level pass-through entity's 1052  
fiscal or calendar year. If the upper level pass-through entity 1053  
directly and indirectly owns less than fifty per cent of the 1054  
equity of the lower level pass-through entity on each day of the 1055  
upper level pass-through entity's calendar or fiscal year in 1056  
which or with which ends the calendar or fiscal year of the 1057  
lower level pass-through entity and if, based upon clear and 1058  
convincing evidence, complete information about the location and 1059  
cost of the physical assets of the lower pass-through entity is 1060  
not available to the upper level pass-through entity, then 1061  
solely for purposes of ascertaining if a gain or loss 1062

constitutes a qualifying trust amount, the upper level pass-through entity shall be deemed as owning no equity of the lower level pass-through entity for each day during the upper level pass-through entity's calendar or fiscal year in which or with which ends the lower level pass-through entity's calendar or fiscal year. Nothing in division (AA) (5) (a) (iii) of this section shall be construed to provide for any deduction or exclusion in computing any trust's Ohio taxable income.

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

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

(ii) Such gain or loss constitutes nonbusiness income.

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

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

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

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

(a) "Qualifying person" means any person other than a

qualifying corporation. 1091

(b) "Qualifying corporation" means any person classified 1092  
for federal income tax purposes as an association taxable as a 1093  
corporation, except either of the following: 1094

(i) A corporation that has made an election under 1095  
subchapter S, chapter one, subtitle A, of the Internal Revenue 1096  
Code for its taxable year ending within, or on the last day of, 1097  
the investor's taxable year; 1098

(ii) A subsidiary that is wholly owned by any corporation 1099  
that has made an election under subchapter S, chapter one, 1100  
subtitle A of the Internal Revenue Code for its taxable year 1101  
ending within, or on the last day of, the investor's taxable 1102  
year. 1103

(2) For the purposes of this chapter, unless expressly 1104  
stated otherwise, no qualifying person indirectly owns any asset 1105  
directly or indirectly owned by any qualifying corporation. 1106

(EE) For purposes of this chapter and Chapter 5751. of the 1107  
Revised Code: 1108

(1) "Trust" does not include a qualified pre-income tax 1109  
trust. 1110

(2) A "qualified pre-income tax trust" is any pre-income 1111  
tax trust that makes a qualifying pre-income tax trust election 1112  
as described in division (EE) (3) of this section. 1113

(3) A "qualifying pre-income tax trust election" is an 1114  
election by a pre-income tax trust to subject to the tax imposed 1115  
by section 5751.02 of the Revised Code the pre-income tax trust 1116  
and all pass-through entities of which the trust owns or 1117  
controls, directly, indirectly, or constructively through 1118

related interests, five per cent or more of the ownership or 1119  
equity interests. The trustee shall notify the tax commissioner 1120  
in writing of the election on or before April 15, 2006. The 1121  
election, if timely made, shall be effective on and after 1122  
January 1, 2006, and shall apply for all tax periods and tax 1123  
years until revoked by the trustee of the trust. 1124

(4) A "pre-income tax trust" is a trust that satisfies all 1125  
of the following requirements: 1126

(a) The document or instrument creating the trust was 1127  
executed by the grantor before January 1, 1972; 1128

(b) The trust became irrevocable upon the creation of the 1129  
trust; and 1130

(c) The grantor was domiciled in this state at the time 1131  
the trust was created. 1132

(FF) "Uniformed services" means all of the following: 1133

(1) "Armed forces of the United States" as defined in 1134  
section 5907.01 of the Revised Code; 1135

(2) The commissioned corps of the national oceanic and 1136  
atmospheric administration; 1137

(3) The commissioned corps of the public health service. 1138

(GG) "Taxable business income" means the amount by which 1139  
an individual's business income that is included in federal 1140  
adjusted gross income exceeds the amount of business income the 1141  
individual is authorized to deduct under division (A) (28) of 1142  
this section for the taxable year. 1143

(HH) "Employer" does not include a franchisor with respect 1144  
to the franchisor's relationship with a franchisee or an 1145

employee of a franchisee, unless the franchisor agrees to assume 1146  
that role in writing or a court of competent jurisdiction 1147  
determines that the franchisor exercises a type or degree of 1148  
control over the franchisee or the franchisee's employees that 1149  
is not customarily exercised by a franchisor for the purpose of 1150  
protecting the franchisor's trademark, brand, or both. For 1151  
purposes of this division, "franchisor" and "franchisee" have 1152  
the same meanings as in 16 C.F.R. 436.1. 1153

(II) "Modified adjusted gross income" means Ohio adjusted 1154  
gross income plus any amount deducted under divisions (A) (28) 1155  
and (34) of this section for the taxable year. 1156

(JJ) "Qualifying Ohio educator" means an individual who, 1157  
for a taxable year, qualifies as an eligible educator, as that 1158  
term is defined in section 62 of the Internal Revenue Code, and 1159  
who holds a certificate, license, or permit described in Chapter 1160  
3319. or section 3301.071 of the Revised Code. 1161

(KK) "Professional employer organization," "professional 1162  
employer organization agreement," and "professional employer 1163  
organization reporting entity" have the same meanings as in 1164  
section 4125.01 of the Revised Code. 1165

(LL) "Alternate employer organization" and "alternate 1166  
employer organization agreement" have the same meanings as in 1167  
section 4133.01 of the Revised Code. 1168

(MM) "Casino gaming" has the same meaning as in section 1169  
3772.01 of the Revised Code, "lottery sports gaming" has the 1170  
same meaning as in section 3770.23 of the Revised Code, "sports 1171  
gaming" has the same meaning as in section 3775.01 of the 1172  
Revised Code, and "video lottery terminal" has the same meaning 1173  
as in section 3770.21 of the Revised Code." 1174

In line 43, delete "section" and insert "sections"; after "5701.11" 1175  
insert "and 5747.01" 1176

In line 44, delete "is" and insert "are" 1177

After line 44, insert: 1178

**"Section 3.** The enactment by this act of division (A) (45) 1179  
of section 5747.01 of the Revised Code applies to qualified 1180  
small business stock acquired after July 4, 2025." 1181

In line 45, delete "3" and insert "4" 1182

The motion was \_\_\_\_\_ agreed to.

**SYNOPSIS** 1183

**Gain from the sale of qualified small business stock** 1184

**R.C. 5747.01(A) (45); Section 3** 1185

Does not incorporate changes made by the "One Big 1186  
Beautiful Bill Act" (OBBBA) to a federal tax exclusion for 1187  
capital gains from the sale of qualified small business stock. 1188

Continuing law allows taxpayers that hold and sell 1189  
qualified small business stock to exclude income from the sale 1190  
of that stock from their federal income taxes. The OBBBA expands 1191  
this exclusion by, among other things, reducing the holding 1192  
period for the stock and increasing the amount of such capital 1193  
gains that can be excluded from income. The amendment decouples 1194  
from this OBBBA provision by requiring taxpayers to add-back any 1195  
income that would not have been eligible for exclusion under 1196  
pre-OBBBA rules. 1197