

As Introduced

**133rd General Assembly
Regular Session
2019-2020**

S. B. No. 159

Senator Peterson

A BILL

To amend sections 5747.02 and 5747.98 and to enact 1
sections 901.61 and 5747.72 of the Revised Code 2
to allow income tax credits for beginning 3
farmers who participate in a financial 4
management program and for businesses that sell 5
or rent agricultural land, livestock, 6
facilities, or equipment to beginning farmers. 7

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

Section 1. That sections 5747.02 and 5747.98 be amended 8
and sections 901.61 and 5747.72 of the Revised Code be enacted 9
to read as follows: 10

Sec. 901.61. (A) For the purposes of the tax credit 11
authorized in division (B) of section 5747.72 of the Revised 12
Code, the director of agriculture shall certify individuals as 13
beginning farmers. An individual may apply to the director for 14
certification, and the director shall provide the certification 15
if the director determines that the individual meets all of the 16
requirements of this division. The certification is valid until 17
the individual no longer meets all such requirements. To qualify 18
for and retain certification as a beginning farmer, the 19

<u>individual must be a resident of this state and:</u>	20
<u>(1) Be seeking entry, or have entered within the last ten years, into farming;</u>	21
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<u>(2) Farm, or intend to farm, land in this state;</u>	23
<u>(3) Not be related by consanguinity or affinity to the owner of the agricultural assets from whom the individual is seeking to purchase or rent those assets, or to a partner, member, shareholder, or trustee of such an owner.</u>	24
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<u>(4) Have a total net worth, including the assets and liabilities of the individual's spouse and dependents, of less than eight hundred thousand dollars in 2019 and an amount in subsequent years which is adjusted for inflation by multiplying that amount by the cumulative inflation rate as determined by the consumer price index (all items) prepared by the United States bureau of labor statistics.</u>	28
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<u>(5) Provide the majority of the day-to-day physical labor for and management of the farm;</u>	35
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<u>(6) Have adequate farming experience or demonstrate knowledge in the type of farming for which the individual seeks assistance;</u>	37
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<u>(7) Submit projected earnings statements and demonstrate a profit potential;</u>	40
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<u>(8) Demonstrate that farming will be a significant source of income for the individual;</u>	42
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<u>(9) Have participated in a financial management program approved by the director under division (B) of this section;</u>	44
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<u>(10) Meet any other requirements prescribed by the</u>	46

director. 47

(B) For the purposes of the tax credit authorized in 48
division (C) of section 5747.72 of the Revised Code, the 49
director of agriculture shall certify financial management 50
programs that would qualify a beginning farmer for the credit 51
authorized under that division. The director shall establish a 52
procedure for certifying such programs and shall maintain a list 53
of certified programs on the department of agriculture's web 54
site. 55

(C) The director of agriculture may adopt any rules 56
necessary to administer this section. 57

Sec. 5747.02. (A) For the purpose of providing revenue for 58
the support of schools and local government functions, to 59
provide relief to property taxpayers, to provide revenue for the 60
general revenue fund, and to meet the expenses of administering 61
the tax levied by this chapter, there is hereby levied on every 62
individual, trust, and estate residing in or earning or 63
receiving income in this state, on every individual, trust, and 64
estate earning or receiving lottery winnings, prizes, or awards 65
pursuant to Chapter 3770. of the Revised Code, on every 66
individual, trust, and estate earning or receiving winnings on 67
casino gaming, and on every individual, trust, and estate 68
otherwise having nexus with or in this state under the 69
Constitution of the United States, an annual tax measured as 70
prescribed in divisions (A) (1) to (4) of this section. 71

(1) In the case of trusts, the tax imposed by this section 72
shall be measured by modified Ohio taxable income under division 73
(D) of this section and levied in the same amount as the tax is 74
imposed on estates as prescribed in division (A) (2) of this 75
section. 76

(2) In the case of estates, the tax imposed by this 77
section shall be measured by Ohio taxable income and levied at 78
the rate of seven thousand four hundred twenty-five ten- 79
thousandths per cent for the first ten thousand five hundred 80
dollars of such income and, for income in excess of that amount, 81
at the same rates prescribed in division (A)(3) of this section 82
for individuals. 83

(3) In the case of individuals, for taxable years 84
beginning in 2017 or thereafter, the tax imposed by this section 85
on income other than taxable business income shall be measured 86
by Ohio adjusted gross income, less taxable business income and 87
less an exemption for the taxpayer, the taxpayer's spouse, and 88
each dependent as provided in section 5747.025 of the Revised 89
Code. If the balance thus obtained is equal to or less than ten 90
thousand five hundred dollars, no tax shall be imposed on that 91
balance. If the balance thus obtained is greater than ten 92
thousand five hundred dollars, the tax is hereby levied as 93
follows: 94

OHIO ADJUSTED GROSS	95
INCOME LESS TAXABLE	96
BUSINESS INCOME AND EXEMPTIONS	97
(INDIVIDUALS)	98
OR	99
MODIFIED OHIO	100
TAXABLE INCOME (TRUSTS)	101
OR	102
OHIO TAXABLE INCOME (ESTATES) TAX	103

More than \$10,500 but \$77.96 plus 1.980% of the amount 104
not more than \$15,800 in excess of \$10,500 105

More than \$15,800 but \$182.90 plus 2.476% of the amount 106

not more than \$21,100 in excess of \$15,800	107
More than \$21,100 but \$314.13 plus 2.969% of the amount	108
not more than \$42,100 in excess of \$21,100	109
More than \$42,100 but \$937.62 plus 3.465% of the amount	110
not more than \$84,200 in excess of \$42,100	111
More than \$84,200 but \$2,396.39 plus 3.960% of the amount	112
not more than \$105,300 in excess of \$84,200	113
More than \$105,300 but \$3,231.95 plus 4.597% of the amount	114
not more than \$210,600 in excess of \$105,300	115
More than \$210,600 \$8,072.59 plus 4.997% of the amount	116
in excess of \$210,600	117
(4) (a) In the case of individuals, for taxable years	118
beginning in 2016 or thereafter, the tax imposed by this section	119
on taxable business income shall equal three per cent of the	120
result obtained by subtracting any amount allowed under division	121
(A) (4) (b) of this section from the individual's taxable business	122
income.	123
(b) If the exemptions allowed to an individual under	124
division (A) (3) of this section exceed the taxpayer's Ohio	125
adjusted gross income less taxable business income, the excess	126
shall be deducted from taxable business income before computing	127
the tax under division (A) (4) (a) of this section.	128
(5) Except as otherwise provided in this division, in	129
August of each year, the tax commissioner shall make a new	130
adjustment to the income amounts prescribed in divisions (A) (2)	131
and (3) of this section by multiplying the percentage increase	132
in the gross domestic product deflator computed that year under	133
section 5747.025 of the Revised Code by each of the income	134

amounts resulting from the adjustment under this division in the 135
preceding year, adding the resulting product to the 136
corresponding income amount resulting from the adjustment in the 137
preceding year, and rounding the resulting sum to the nearest 138
multiple of fifty dollars. The tax commissioner also shall 139
recompute each of the tax dollar amounts to the extent necessary 140
to reflect the new adjustment of the income amounts. To 141
recompute the tax dollar amount corresponding to the lowest tax 142
rate in division (A) (3) of this section, the commissioner shall 143
multiply the tax rate prescribed in division (A) (2) of this 144
section by the income amount specified in that division and as 145
adjusted according to this paragraph. The rates of taxation 146
shall not be adjusted. 147

The adjusted amounts apply to taxable years beginning in 148
the calendar year in which the adjustments are made and to 149
taxable years beginning in each ensuing calendar year until a 150
calendar year in which a new adjustment is made pursuant to this 151
division. The tax commissioner shall not make a new adjustment 152
in any year in which the amount resulting from the adjustment 153
would be less than the amount resulting from the adjustment in 154
the preceding year. 155

(B) If the director of budget and management makes a 156
certification to the tax commissioner under division (B) of 157
section 131.44 of the Revised Code, the amount of tax as 158
determined under divisions (A) (1) to (3) of this section shall 159
be reduced by the percentage prescribed in that certification 160
for taxable years beginning in the calendar year in which that 161
certification is made. 162

(C) The levy of this tax on income does not prevent a 163
municipal corporation, a joint economic development zone created 164

under section 715.691, or a joint economic development district 165
created under section 715.70, 715.71, or 715.72 of the Revised 166
Code from levying a tax on income. 167

(D) This division applies only to taxable years of a trust 168
beginning in 2002 or thereafter. 169

(1) The tax imposed by this section on a trust shall be 170
computed by multiplying the Ohio modified taxable income of the 171
trust by the rates prescribed by division (A) of this section. 172

(2) A resident trust may claim a credit against the tax 173
computed under division (D) of this section equal to the lesser 174
of (a) the tax paid to another state or the District of Columbia 175
on the resident trust's modified nonbusiness income, other than 176
the portion of the resident trust's nonbusiness income that is 177
qualifying investment income as defined in section 5747.012 of 178
the Revised Code, or (b) the effective tax rate, based on 179
modified Ohio taxable income, multiplied by the resident trust's 180
modified nonbusiness income other than the portion of the 181
resident trust's nonbusiness income that is qualifying 182
investment income. The credit applies before any other 183
applicable credits. 184

(3) The credits enumerated in divisions (A)(1) to (9) and 185
(A)~~(18)~~~~(20)~~ to ~~(20)~~~~(22)~~ of section 5747.98 of the Revised Code 186
do not apply to a trust subject to division (D) of this section. 187
Any credits enumerated in other divisions of section 5747.98 of 188
the Revised Code apply to a trust subject to division (D) of 189
this section. To the extent that the trust distributes income 190
for the taxable year for which a credit is available to the 191
trust, the credit shall be shared by the trust and its 192
beneficiaries. The tax commissioner and the trust shall be 193
guided by applicable regulations of the United States treasury 194

regarding the sharing of credits. 195

(E) For the purposes of this section, "trust" means any 196
trust described in Subchapter J of Chapter 1 of the Internal 197
Revenue Code, excluding trusts that are not irrevocable as 198
defined in division (I) (3) (b) of section 5747.01 of the Revised 199
Code and that have no modified Ohio taxable income for the 200
taxable year, charitable remainder trusts, qualified funeral 201
trusts and preneed funeral contract trusts established pursuant 202
to sections 4717.31 to 4717.38 of the Revised Code that are not 203
qualified funeral trusts, endowment and perpetual care trusts, 204
qualified settlement trusts and funds, designated settlement 205
trusts and funds, and trusts exempted from taxation under 206
section 501(a) of the Internal Revenue Code. 207

(F) Nothing in division (A) (3) of this section shall 208
prohibit an individual with an Ohio adjusted gross income, less 209
taxable business income and exemptions, of ten thousand five 210
hundred dollars or less from filing a return under this chapter 211
to receive a refund of taxes withheld or to claim any refundable 212
credit allowed under this chapter. 213

Sec. 5747.72. (A) As used in this section: 214

(1) "Agricultural asset" means agricultural land, 215
livestock, facilities, buildings, and machinery used for 216
agricultural production in this state. 217

(2) "Agricultural land" means land that is composed of 218
tracts, lots, or parcels totaling not less than ten acres 219
devoted to agricultural production or totaling less than ten 220
acres devoted to agricultural production if the land produces an 221
average yearly gross income of at least two thousand five 222
hundred dollars from agricultural production. 223

<u>(3) "Agricultural production" has the same meaning as in</u>	224
<u>section 929.01 of the Revised Code.</u>	225
<u>(4) "Beginning farmer" means an individual certified by</u>	226
<u>the director of agriculture as a beginning farmer under section</u>	227
<u>901.61 of the Revised Code.</u>	228
<u>(5) "Owner of agricultural assets" means a person that is</u>	229
<u>the owner in fee of agricultural land or that has legal title to</u>	230
<u>any other agricultural asset. An "owner of agricultural assets"</u>	231
<u>does not include an equipment dealer or comparable entity</u>	232
<u>engaged in the business of selling agricultural assets for</u>	233
<u>profit.</u>	234
<u>(6) "Share rent agreement" means a rental agreement in</u>	235
<u>which the principal consideration given to the owner of</u>	236
<u>agricultural assets is a predetermined portion of the production</u>	237
<u>of the agricultural products produced from the rented</u>	238
<u>agricultural assets and which provides for sharing production</u>	239
<u>costs or risk of loss.</u>	240
<u>(B) A credit shall be allowed against a taxpayer's</u>	241
<u>aggregate liability under section 5747.02 of the Revised Code</u>	242
<u>for an owner of agricultural assets who sells or rents</u>	243
<u>agricultural assets to a beginning farmer. The rental of an</u>	244
<u>agricultural asset qualifies for the credit only if the asset is</u>	245
<u>rented at prevailing community rates, as determined by the</u>	246
<u>director of agriculture.</u>	247
<u>The amount of the credit equals one of the following</u>	248
<u>amounts:</u>	249
<u>(1) Five per cent of the sale price of the agricultural</u>	250
<u>asset;</u>	251
<u>(2) Ten per cent of the gross rental income received</u>	252

during each of the first three years of a rental agreement; 253

(3) Fifteen per cent of the cash equivalent of the gross 254
rental income received during each of the first three years of a 255
a share rent agreement. 256

In the case of the sale of an agricultural asset, the 257
credit shall be claimed for the taxable year in which the sale 258
is consummated. In the case of the rental of an agricultural 259
asset, the credit shall be claimed for the three taxable years 260
ending during the first three years of the rental agreement or 261
share rent agreement. A taxpayer may not claim the credit for 262
more than one rental or share rent agreement involving the 263
rental of the same agricultural asset to the same beginning 264
farmer. 265

The credit shall be claimed in the order required under 266
section 5747.98 of the Revised Code. If a credit exceeds the 267
aggregate amount of tax otherwise due for a taxable year, the 268
excess may be carried forward and applied against the tax due 269
for not more than fifteen succeeding taxable years, provided 270
that the amount applied to the tax due for any taxable year 271
shall be subtracted from the amount available to carry forward 272
to succeeding years. 273

(C) A credit shall be allowed against a taxpayer's 274
aggregate liability under section 5747.02 of the Revised Code 275
for an individual who participates in a financial management 276
program approved by the director of agriculture under section 277
901.61 of the Revised Code and is certified as a beginning 278
farmer in the same taxable year. The amount of the credit shall 279
equal the cost of participating in the program during the 280
taxable year. 281

The credit shall be claimed in the order required under 282
section 5747.98 of the Revised Code. If a credit exceeds the 283
aggregate amount of tax otherwise due for the taxable year, the 284
excess may be carried forward and applied against the tax due 285
for not more than three succeeding taxable years, provided that 286
the amount applied to the tax due for any taxable year shall be 287
subtracted from the amount available to carry forward to 288
succeeding years. 289

Sec. 5747.98. (A) To provide a uniform procedure for 290
calculating a taxpayer's aggregate tax liability under section 291
5747.02 of the Revised Code, a taxpayer shall claim any credits 292
to which the taxpayer is entitled in the following order: 293

(1) Either the retirement income credit under division (B) 294
of section 5747.055 of the Revised Code or the lump sum 295
retirement income credits under divisions (C), (D), and (E) of 296
that section; 297

(2) Either the senior citizen credit under division (F) of 298
section 5747.055 of the Revised Code or the lump sum 299
distribution credit under division (G) of that section; 300

(3) The dependent care credit under section 5747.054 of 301
the Revised Code; 302

(4) The credit for displaced workers who pay for job 303
training under section 5747.27 of the Revised Code; 304

(5) The campaign contribution credit under section 5747.29 305
of the Revised Code; 306

(6) The twenty-dollar personal exemption credit under 307
section 5747.022 of the Revised Code; 308

(7) The joint filing credit under division (G) of section 309

5747.05 of the Revised Code;	310
(8) The earned income credit under section 5747.71 of the Revised Code;	311 312
(9) The credit for adoption of a minor child under section 5747.37 of the Revised Code;	313 314
(10) The nonrefundable job retention credit under division (B) of section 5747.058 of the Revised Code;	315 316
(11) The enterprise zone credit under section 5709.66 of the Revised Code;	317 318
(12) The ethanol plant investment credit under section 5747.75 of the Revised Code;	319 320
(13) <u>The credit for beginning farmers who participate in a financial management program under division (C) of section 5747.72 of the Revised Code;</u>	321 322 323
<u>(14)</u> The credit for purchases of qualifying grape production property under section 5747.28 of the Revised Code;	324 325
(14) <u>(15)</u> The small business investment credit under section 5747.81 of the Revised Code;	326 327
(15) <u>(16)</u> <u>The credit for selling or renting agricultural assets to beginning farmers under division (B) of section 5747.72 of the Revised Code;</u>	328 329 330
<u>(17)</u> The enterprise zone credits under section 5709.65 of the Revised Code;	331 332
(16) <u>(18)</u> The research and development credit under section 5747.331 of the Revised Code;	333 334
(17) <u>(19)</u> The credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	335 336

(18) <u>(20)</u> The nonresident credit under division (A) of section 5747.05 of the Revised Code;	337 338
(19) <u>(21)</u> The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;	339 340
(20) <u>(22)</u> The refundable motion picture production credit under section 5747.66 of the Revised Code;	341 342
(21) <u>(23)</u> The refundable jobs creation credit or job retention credit under division (A) of section 5747.058 of the Revised Code;	343 344 345
(22) <u>(24)</u> The refundable credit for taxes paid by a qualifying entity granted under section 5747.059 of the Revised Code;	346 347 348
(23) <u>(25)</u> The refundable credits for taxes paid by a qualifying pass-through entity granted under division (I) of section 5747.08 of the Revised Code;	349 350 351
(24) <u>(26)</u> The refundable credit under section 5747.80 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code;	352 353 354 355
(25) <u>(27)</u> The refundable credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	356 357
(26) <u>(28)</u> The refundable credit for financial institution taxes paid by a pass-through entity granted under section 5747.65 of the Revised Code.	358 359 360
(B) For any credit, except the refundable credits enumerated in this section and the credit granted under division (H) of section 5747.08 of the Revised Code, the amount of the credit for a taxable year shall not exceed the taxpayer's	361 362 363 364

aggregate amount of tax due under section 5747.02 of the Revised Code, after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating that credit. Nothing in this chapter shall be construed to allow a taxpayer to claim, directly or indirectly, a credit more than once for a taxable year.

Section 2. That existing sections 5747.02 and 5747.98 of the Revised Code are hereby repealed.

Section 3. The amendment or enactment by this act of sections 5747.02, 5747.72, and 5747.98 of the Revised Code applies to taxable years beginning on or after January 1, 2019.