

As Introduced

135th General Assembly

Regular Session

2023-2024

H. B. No. 598

Representative Robinson

Cosponsors: Representatives Brennan, Brewer, Brown, Dell'Aquila, Russo

A BILL

To amend sections 131.51, 145.56, 5505.22, 5747.01, 1
and 5748.01 of the Revised Code to exempt 2
retirement income of public safety personnel 3
from state income tax and to reimburse the Local 4
Government Fund and Public Library Fund for 5
resulting revenue losses. 6

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

Section 1. That sections 131.51, 145.56, 5505.22, 5747.01, 7
and 5748.01 of the Revised Code be amended to read as follows: 8

Sec. 131.51. (A) As used in this section, "supplemental 9
distribution" means the difference obtained by subtracting the 10
total tax revenue credited to the general revenue fund during 11
the preceding month from the amount of such revenue the tax 12
commissioner estimates would have been credited to that fund 13
during that month if sections 145.56, 5505.22, and 5747.01 of 14
the Revised Code had not been amended by this act. 15

(B) On or before the seventh day of each month, the 16
director of budget and management shall credit to the local 17
government fund one and seven-tenths per cent of the sum of the 18

total tax revenue credited to the general revenue fund during 19
the preceding month plus the supplemental distribution. In 20
determining the total tax revenue credited to the general 21
revenue fund during the preceding month, the director shall 22
include amounts transferred from the fund during the preceding 23
month under this division and division ~~(B)~~ (C) of this section. 24
Money shall be distributed from the local government fund as 25
required under sections 5747.50 and 5747.503 of the Revised Code 26
during the same month in which it is credited to the fund. 27

~~(B)~~ (C) On or before the seventh day of each month, the 28
director of budget and management shall credit to the public 29
library fund one and seven-tenths per cent of the sum of the 30
total tax revenue credited to the general revenue fund during 31
the preceding month plus the supplemental distribution. In 32
determining the total tax revenue credited to the general 33
revenue fund during the preceding month, the director shall 34
include amounts transferred from the fund during the preceding 35
month under this division and division ~~(A)~~ (B) of this section. 36
Money shall be distributed from the public library fund as 37
required under section 5747.47 of the Revised Code during the 38
same month in which it is credited to the fund. 39

~~(C)~~ (D) The director of budget and management shall 40
develop a schedule identifying the specific tax revenue sources 41
to be used to make the monthly transfers required under 42
divisions ~~(A)~~ (B) and ~~(B)~~ (C) of this section. The director may, 43
from time to time, revise the schedule as the director considers 44
necessary. 45

Sec. 145.56. The right of an individual to a pension, an 46
annuity, or a retirement allowance itself, the right of an 47
individual to any optional benefit, any other right accrued or 48

accruing to any individual, under this chapter, or under any 49
municipal retirement system established subject to this chapter 50
under the laws of this state or any charter, the various funds 51
created by this chapter, or under such municipal retirement 52
system, and all moneys, investments, and income from moneys or 53
investments ~~are~~; 54

(A) Are exempt from any state tax, except to the extent 55
they are not deductible in computing the income tax imposed by 56
section 5747.02 of the Revised Code, ~~and are~~; 57

(B) Are exempt from any county, municipal, or other local 58
tax, except to the extent they are not deductible in computing 59
the income taxes imposed pursuant to section 5748.02, 5748.08, 60
or 5748.09 of the Revised Code, ~~and, except as provided in~~ 61
~~sections 145.57, 145.572, 145.573, 145.574, 3105.171, 3105.65,~~ 62
~~and 3115.501 and Chapters 3119., 3121., 3123., and 3125. of the~~ 63
~~Revised Code, shall~~; 64

(C) Shall not be subject to execution, garnishment, 65
attachment, the operation of bankruptcy or insolvency laws, or 66
other process of law whatsoever, ~~and shall~~ except as provided in 67
sections 145.57, 145.572, 145.573, 145.574, 3105.171, 3105.65, 68
and 3115.501 and Chapters 3119., 3121., 3123., and 3125. of the 69
Revised Code; 70

(D) Shall be unassignable except as specifically provided 71
in this chapter and sections 3105.171, 3105.65, and 3115.501 and 72
Chapters 3119., 3121., 3123., and 3125. of the Revised Code. 73

Sec. 5505.22. The right of any individual to a pension, or 74
to the return of accumulated contributions, payable as provided 75
under this chapter, and all moneys and investments of the state 76
highway patrol retirement system and income from moneys or 77

investments~~are~~: 78

(A) Are exempt from any state tax, except to the extent 79
they are not deductible in computing the income tax imposed by 80
section 5747.02 of the Revised Code,~~and are~~; 81

(B) Are exempt from any county, municipal, or other local 82
tax, except to the extent they are not deductible in computing 83
income taxes imposed pursuant to section 5748.02, 5748.08, or 84
5748.09 of the Revised Code,~~and, except as provided in sections~~ 85
~~3105.171, 3105.65, 3115.501, 3119.80, 3119.81, 3121.02, 3121.03,~~ 86
~~3123.06, 5505.26, 5505.262, and 5505.263 of the Revised Code,~~ 87
~~shall~~; 88

(C) Shall not be subject to execution, garnishment, 89
attachment, the operation of bankruptcy or insolvency laws, or 90
any other process of law whatsoever, ~~and shall except as~~ 91
provided in sections 3105.171, 3105.65, 3115.501, 3119.80, 92
3119.81, 3121.02, 3121.03, 3123.06, 5505.26, 5505.262, and 93
5505.263 of the Revised Code; 94

(D) Shall be unassignable except as specifically provided 95
in this chapter. 96

Sec. 5747.01. Except as otherwise expressly provided or 97
clearly appearing from the context, any term used in this 98
chapter that is not otherwise defined in this section has the 99
same meaning as when used in a comparable context in the laws of 100
the United States relating to federal income taxes or if not 101
used in a comparable context in those laws, has the same meaning 102
as in section 5733.40 of the Revised Code. Any reference in this 103
chapter to the Internal Revenue Code includes other laws of the 104
United States relating to federal income taxes. 105

As used in this chapter: 106

(A) "Adjusted gross income" or "Ohio adjusted gross	107
income" means federal adjusted gross income, as defined and used	108
in the Internal Revenue Code, adjusted as provided in this	109
section:	110
(1) Add interest or dividends on obligations or securities	111
of any state or of any political subdivision or authority of any	112
state, other than this state and its subdivisions and	113
authorities.	114
(2) Add interest or dividends on obligations of any	115
authority, commission, instrumentality, territory, or possession	116
of the United States to the extent that the interest or	117
dividends are exempt from federal income taxes but not from	118
state income taxes.	119
(3) Deduct interest or dividends on obligations of the	120
United States and its territories and possessions or of any	121
authority, commission, or instrumentality of the United States	122
to the extent that the interest or dividends are included in	123
federal adjusted gross income but exempt from state income taxes	124
under the laws of the United States.	125
(4) Deduct disability and survivor's benefits to the	126
extent included in federal adjusted gross income.	127
(5) Deduct the following, to the extent not otherwise	128
deducted or excluded in computing federal or Ohio adjusted gross	129
income:	130
(a) Benefits under Title II of the Social Security Act and	131
tier 1 railroad retirement;	132
(b) Railroad retirement benefits, other than tier 1	133
railroad retirement benefits, to the extent such amounts are	134
exempt from state taxation under federal law.	135

(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.	136 137 138 139 140 141
(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.	142 143 144 145
(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.	146 147 148 149
(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.	150 151 152 153 154
(10) (a) Deduct, to the extent not otherwise allowable as a deduction or exclusion in computing federal or Ohio adjusted gross income for the taxable year, the amount the taxpayer paid during the taxable year for medical care insurance and qualified long-term care insurance for the taxpayer, the taxpayer's spouse, and dependents. No deduction for medical care insurance under division (A) (10) (a) of this section shall be allowed either to any taxpayer who is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the taxpayer's spouse, or to any taxpayer who is entitled to, or on application would be entitled to, benefits	155 156 157 158 159 160 161 162 163 164 165

under part A of Title XVIII of the "Social Security Act," 49 166
Stat. 620 (1935), 42 U.S.C. 301, as amended. For the purposes of 167
division (A)(10)(a) of this section, "subsidized health plan" 168
means a health plan for which the employer pays any portion of 169
the plan's cost. The deduction allowed under division (A)(10)(a) 170
of this section shall be the net of any related premium refunds, 171
related premium reimbursements, or related insurance premium 172
dividends received during the taxable year. 173

(b) Deduct, to the extent not otherwise deducted or 174
excluded in computing federal or Ohio adjusted gross income 175
during the taxable year, the amount the taxpayer paid during the 176
taxable year, not compensated for by any insurance or otherwise, 177
for medical care of the taxpayer, the taxpayer's spouse, and 178
dependents, to the extent the expenses exceed seven and one-half 179
per cent of the taxpayer's federal adjusted gross income. 180

(c) For purposes of division (A)(10) of this section, 181
"medical care" has the meaning given in section 213 of the 182
Internal Revenue Code, subject to the special rules, 183
limitations, and exclusions set forth therein, and "qualified 184
long-term care" has the same meaning given in section 7702B(c) 185
of the Internal Revenue Code. Solely for purposes of division 186
(A)(10)(a) of this section, "dependent" includes a person who 187
otherwise would be a "qualifying relative" and thus a 188
"dependent" under section 152 of the Internal Revenue Code but 189
for the fact that the person fails to meet the income and 190
support limitations under section 152(d)(1)(B) and (C) of the 191
Internal Revenue Code. 192

(11)(a) Deduct any amount included in federal adjusted 193
gross income solely because the amount represents a 194
reimbursement or refund of expenses that in any year the 195

taxpayer had deducted as an itemized deduction pursuant to 196
section 63 of the Internal Revenue Code and applicable United 197
States department of the treasury regulations. The deduction 198
otherwise allowed under division (A) (11) (a) of this section 199
shall be reduced to the extent the reimbursement is attributable 200
to an amount the taxpayer deducted under this section in any 201
taxable year. 202

(b) Add any amount not otherwise included in Ohio adjusted 203
gross income for any taxable year to the extent that the amount 204
is attributable to the recovery during the taxable year of any 205
amount deducted or excluded in computing federal or Ohio 206
adjusted gross income in any taxable year. 207

(12) Deduct any portion of the deduction described in 208
section 1341(a) (2) of the Internal Revenue Code, for repaying 209
previously reported income received under a claim of right, that 210
meets both of the following requirements: 211

(a) It is allowable for repayment of an item that was 212
included in the taxpayer's adjusted gross income for a prior 213
taxable year and did not qualify for a credit under division (A) 214
or (B) of section 5747.05 of the Revised Code for that year; 215

(b) It does not otherwise reduce the taxpayer's adjusted 216
gross income for the current or any other taxable year. 217

(13) Deduct an amount equal to the deposits made to, and 218
net investment earnings of, a medical savings account during the 219
taxable year, in accordance with section 3924.66 of the Revised 220
Code. The deduction allowed by division (A) (13) of this section 221
does not apply to medical savings account deposits and earnings 222
otherwise deducted or excluded for the current or any other 223
taxable year from the taxpayer's federal adjusted gross income. 224

(14) (a) Add an amount equal to the funds withdrawn from a medical savings account during the taxable year, and the net investment earnings on those funds, when the funds withdrawn were used for any purpose other than to reimburse an account holder for, or to pay, eligible medical expenses, in accordance with section 3924.66 of the Revised Code;	225 226 227 228 229 230
(b) Add the amounts distributed from a medical savings account under division (A) (2) of section 3924.68 of the Revised Code during the taxable year.	231 232 233
(15) Add any amount claimed as a credit under section 5747.059 of the Revised Code to the extent that such amount satisfies either of the following:	234 235 236
(a) The amount was deducted or excluded from the computation of the taxpayer's federal adjusted gross income as required to be reported for the taxpayer's taxable year under the Internal Revenue Code;	237 238 239 240
(b) The amount resulted in a reduction of the taxpayer's federal adjusted gross income as required to be reported for any of the taxpayer's taxable years under the Internal Revenue Code.	241 242 243
(16) Deduct the amount contributed by the taxpayer to an individual development account program established by a county department of job and family services pursuant to sections 329.11 to 329.14 of the Revised Code for the purpose of matching funds deposited by program participants. On request of the tax commissioner, the taxpayer shall provide any information that, in the tax commissioner's opinion, is necessary to establish the amount deducted under division (A) (16) of this section.	244 245 246 247 248 249 250 251
(17) (a) (i) Subject to divisions (A) (17) (a) (iii), (iv), and (v) of this section, add five-sixths of the amount of	252 253

depreciation expense allowed by subsection (k) of section 168 of 254
the Internal Revenue Code, including the taxpayer's 255
proportionate or distributive share of the amount of 256
depreciation expense allowed by that subsection to a pass- 257
through entity in which the taxpayer has a direct or indirect 258
ownership interest. 259

(ii) Subject to divisions (A) (17) (a) (iii), (iv), and (v) 260
of this section, add five-sixths of the amount of qualifying 261
section 179 depreciation expense, including the taxpayer's 262
proportionate or distributive share of the amount of qualifying 263
section 179 depreciation expense allowed to any pass-through 264
entity in which the taxpayer has a direct or indirect ownership 265
interest. 266

(iii) Subject to division (A) (17) (a) (v) of this section, 267
for taxable years beginning in 2012 or thereafter, if the 268
increase in income taxes withheld by the taxpayer is equal to or 269
greater than ten per cent of income taxes withheld by the 270
taxpayer during the taxpayer's immediately preceding taxable 271
year, "two-thirds" shall be substituted for "five-sixths" for 272
the purpose of divisions (A) (17) (a) (i) and (ii) of this section. 273

(iv) Subject to division (A) (17) (a) (v) of this section, 274
for taxable years beginning in 2012 or thereafter, a taxpayer is 275
not required to add an amount under division (A) (17) of this 276
section if the increase in income taxes withheld by the taxpayer 277
and by any pass-through entity in which the taxpayer has a 278
direct or indirect ownership interest is equal to or greater 279
than the sum of (I) the amount of qualifying section 179 280
depreciation expense and (II) the amount of depreciation expense 281
allowed to the taxpayer by subsection (k) of section 168 of the 282
Internal Revenue Code, and including the taxpayer's 283

proportionate or distributive shares of such amounts allowed to	284
any such pass-through entities.	285
(v) If a taxpayer directly or indirectly incurs a net	286
operating loss for the taxable year for federal income tax	287
purposes, to the extent such loss resulted from depreciation	288
expense allowed by subsection (k) of section 168 of the Internal	289
Revenue Code and by qualifying section 179 depreciation expense,	290
"the entire" shall be substituted for "five-sixths of the" for	291
the purpose of divisions (A) (17) (a) (i) and (ii) of this section.	292
The tax commissioner, under procedures established by the	293
commissioner, may waive the add-backs related to a pass-through	294
entity if the taxpayer owns, directly or indirectly, less than	295
five per cent of the pass-through entity.	296
(b) Nothing in division (A) (17) of this section shall be	297
construed to adjust or modify the adjusted basis of any asset.	298
(c) To the extent the add-back required under division (A)	299
(17) (a) of this section is attributable to property generating	300
nonbusiness income or loss allocated under section 5747.20 of	301
the Revised Code, the add-back shall be situated to the same	302
location as the nonbusiness income or loss generated by the	303
property for the purpose of determining the credit under	304
division (A) of section 5747.05 of the Revised Code. Otherwise,	305
the add-back shall be apportioned, subject to one or more of the	306
four alternative methods of apportionment enumerated in section	307
5747.21 of the Revised Code.	308
(d) For the purposes of division (A) (17) (a) (v) of this	309
section, net operating loss carryback and carryforward shall not	310
include the allowance of any net operating loss deduction	311
carryback or carryforward to the taxable year to the extent such	312

loss resulted from depreciation allowed by section 168(k) of the 313
Internal Revenue Code and by the qualifying section 179 314
depreciation expense amount. 315

(e) For the purposes of divisions (A) (17) and (18) of this 316
section: 317

(i) "Income taxes withheld" means the total amount 318
withheld and remitted under sections 5747.06 and 5747.07 of the 319
Revised Code by an employer during the employer's taxable year. 320

(ii) "Increase in income taxes withheld" means the amount 321
by which the amount of income taxes withheld by an employer 322
during the employer's current taxable year exceeds the amount of 323
income taxes withheld by that employer during the employer's 324
immediately preceding taxable year. 325

(iii) "Qualifying section 179 depreciation expense" means 326
the difference between (I) the amount of depreciation expense 327
directly or indirectly allowed to a taxpayer under section 179 328
of the Internal Revised Code, and (II) the amount of 329
depreciation expense directly or indirectly allowed to the 330
taxpayer under section 179 of the Internal Revenue Code as that 331
section existed on December 31, 2002. 332

(18) (a) If the taxpayer was required to add an amount 333
under division (A) (17) (a) of this section for a taxable year, 334
deduct one of the following: 335

(i) One-fifth of the amount so added for each of the five 336
succeeding taxable years if the amount so added was five-sixths 337
of qualifying section 179 depreciation expense or depreciation 338
expense allowed by subsection (k) of section 168 of the Internal 339
Revenue Code; 340

(ii) One-half of the amount so added for each of the two 341

succeeding taxable years if the amount so added was two-thirds 342
of such depreciation expense; 343

(iii) One-sixth of the amount so added for each of the six 344
succeeding taxable years if the entire amount of such 345
depreciation expense was so added. 346

(b) If the amount deducted under division (A) (18) (a) of 347
this section is attributable to an add-back allocated under 348
division (A) (17) (c) of this section, the amount deducted shall 349
be situated to the same location. Otherwise, the add-back shall 350
be apportioned using the apportionment factors for the taxable 351
year in which the deduction is taken, subject to one or more of 352
the four alternative methods of apportionment enumerated in 353
section 5747.21 of the Revised Code. 354

(c) No deduction is available under division (A) (18) (a) of 355
this section with regard to any depreciation allowed by section 356
168(k) of the Internal Revenue Code and by the qualifying 357
section 179 depreciation expense amount to the extent that such 358
depreciation results in or increases a federal net operating 359
loss carryback or carryforward. If no such deduction is 360
available for a taxable year, the taxpayer may carry forward the 361
amount not deducted in such taxable year to the next taxable 362
year and add that amount to any deduction otherwise available 363
under division (A) (18) (a) of this section for that next taxable 364
year. The carryforward of amounts not so deducted shall continue 365
until the entire addition required by division (A) (17) (a) of 366
this section has been deducted. 367

(19) Deduct, to the extent not otherwise deducted or 368
excluded in computing federal or Ohio adjusted gross income for 369
the taxable year, the amount the taxpayer received during the 370
taxable year as reimbursement for life insurance premiums under 371

section 5919.31 of the Revised Code. 372

(20) Deduct, to the extent not otherwise deducted or 373
excluded in computing federal or Ohio adjusted gross income for 374
the taxable year, the amount the taxpayer received during the 375
taxable year as a death benefit paid by the adjutant general 376
under section 5919.33 of the Revised Code. 377

(21) Deduct, to the extent included in federal adjusted 378
gross income and not otherwise allowable as a deduction or 379
exclusion in computing federal or Ohio adjusted gross income for 380
the taxable year, military pay and allowances received by the 381
taxpayer during the taxable year for active duty service in the 382
United States army, air force, navy, marine corps, or coast 383
guard or reserve components thereof or the national guard. The 384
deduction may not be claimed for military pay and allowances 385
received by the taxpayer while the taxpayer is stationed in this 386
state. 387

(22) Deduct, to the extent not otherwise allowable as a 388
deduction or exclusion in computing federal or Ohio adjusted 389
gross income for the taxable year and not otherwise compensated 390
for by any other source, the amount of qualified organ donation 391
expenses incurred by the taxpayer during the taxable year, not 392
to exceed ten thousand dollars. A taxpayer may deduct qualified 393
organ donation expenses only once for all taxable years 394
beginning with taxable years beginning in 2007. 395

For the purposes of division (A)(22) of this section: 396

(a) "Human organ" means all or any portion of a human 397
liver, pancreas, kidney, intestine, or lung, and any portion of 398
human bone marrow. 399

(b) "Qualified organ donation expenses" means travel 400

expenses, lodging expenses, and wages and salary forgone by a 401
taxpayer in connection with the taxpayer's donation, while 402
living, of one or more of the taxpayer's human organs to another 403
human being. 404

(23) Deduct, to the extent not otherwise deducted or 405
excluded in computing federal or Ohio adjusted gross income for 406
the taxable year, amounts received by the taxpayer as retired 407
personnel pay for service in the uniformed services or reserve 408
components thereof, or the national guard, or received by the 409
surviving spouse or former spouse of such a taxpayer under the 410
survivor benefit plan on account of such a taxpayer's death. If 411
the taxpayer receives income on account of retirement paid under 412
the federal civil service retirement system or federal employees 413
retirement system, or under any successor retirement program 414
enacted by the congress of the United States that is established 415
and maintained for retired employees of the United States 416
government, and such retirement income is based, in whole or in 417
part, on credit for the taxpayer's uniformed service, the 418
deduction allowed under this division shall include only that 419
portion of such retirement income that is attributable to the 420
taxpayer's uniformed service, to the extent that portion of such 421
retirement income is otherwise included in federal adjusted 422
gross income and is not otherwise deducted under this section. 423
Any amount deducted under division (A) (23) of this section is 424
not included in a taxpayer's adjusted gross income for the 425
purposes of section 5747.055 of the Revised Code. No amount may 426
be deducted under division (A) (23) of this section on the basis 427
of which a credit was claimed under section 5747.055 of the 428
Revised Code. 429

(24) Deduct, to the extent not otherwise deducted or 430
excluded in computing federal or Ohio adjusted gross income for 431

the taxable year, the amount the taxpayer received during the 432
taxable year from the military injury relief fund created in 433
section 5902.05 of the Revised Code. 434

(25) Deduct, to the extent not otherwise deducted or 435
excluded in computing federal or Ohio adjusted gross income for 436
the taxable year, the amount the taxpayer received as a veterans 437
bonus during the taxable year from the Ohio department of 438
veterans services as authorized by Section 2r of Article VIII, 439
Ohio Constitution. 440

(26) Deduct, to the extent not otherwise deducted or 441
excluded in computing federal or Ohio adjusted gross income for 442
the taxable year, any income derived from a transfer agreement 443
or from the enterprise transferred under that agreement under 444
section 4313.02 of the Revised Code. 445

(27) Deduct, to the extent not otherwise deducted or 446
excluded in computing federal or Ohio adjusted gross income for 447
the taxable year, Ohio college opportunity or federal Pell grant 448
amounts received by the taxpayer or the taxpayer's spouse or 449
dependent pursuant to section 3333.122 of the Revised Code or 20 450
U.S.C. 1070a, et seq., and used to pay room or board furnished 451
by the educational institution for which the grant was awarded 452
at the institution's facilities, including meal plans 453
administered by the institution. For the purposes of this 454
division, receipt of a grant includes the distribution of a 455
grant directly to an educational institution and the crediting 456
of the grant to the enrollee's account with the institution. 457

(28) Deduct from the portion of an individual's federal 458
adjusted gross income that is business income, to the extent not 459
otherwise deducted or excluded in computing federal adjusted 460
gross income for the taxable year, one hundred twenty-five 461

thousand dollars for each spouse if spouses file separate 462
returns under section 5747.08 of the Revised Code or two hundred 463
fifty thousand dollars for all other individuals. 464

(29) Deduct, as provided under section 5747.78 of the 465
Revised Code, contributions to ABLE savings accounts made in 466
accordance with sections 113.50 to 113.56 of the Revised Code. 467

(30) (a) Deduct, to the extent not otherwise deducted or 468
excluded in computing federal or Ohio adjusted gross income 469
during the taxable year, all of the following: 470

(i) Compensation paid to a qualifying employee described 471
in division (A) (14) (a) of section 5703.94 of the Revised Code to 472
the extent such compensation is for disaster work conducted in 473
this state during a disaster response period pursuant to a 474
qualifying solicitation received by the employee's employer; 475

(ii) Compensation paid to a qualifying employee described 476
in division (A) (14) (b) of section 5703.94 of the Revised Code to 477
the extent such compensation is for disaster work conducted in 478
this state by the employee during the disaster response period 479
on critical infrastructure owned or used by the employee's 480
employer; 481

(iii) Income received by an out-of-state disaster business 482
for disaster work conducted in this state during a disaster 483
response period, or, if the out-of-state disaster business is a 484
pass-through entity, a taxpayer's distributive share of the 485
pass-through entity's income from the business conducting 486
disaster work in this state during a disaster response period, 487
if, in either case, the disaster work is conducted pursuant to a 488
qualifying solicitation received by the business. 489

(b) All terms used in division (A) (30) of this section 490

have the same meanings as in section 5703.94 of the Revised Code. 491
492

(31) For a taxpayer who is a qualifying Ohio educator, 493
deduct, to the extent not otherwise deducted or excluded in 494
computing federal or Ohio adjusted gross income for the taxable 495
year, the lesser of two hundred fifty dollars or the amount of 496
expenses described in subsections (a)(2)(D)(i) and (ii) of 497
section 62 of the Internal Revenue Code paid or incurred by the 498
taxpayer during the taxpayer's taxable year in excess of the 499
amount the taxpayer is authorized to deduct for that taxable 500
year under subsection (a)(2)(D) of that section. 501

(32) Deduct, to the extent not otherwise deducted or 502
excluded in computing federal or Ohio adjusted gross income for 503
the taxable year, amounts received by the taxpayer as a 504
disability severance payment, computed under 10 U.S.C. 1212, 505
following discharge or release under honorable conditions from 506
the armed forces, as defined by 10 U.S.C. 101. 507

(33) Deduct, to the extent not otherwise deducted or 508
excluded in computing federal adjusted gross income or Ohio 509
adjusted gross income, amounts not subject to tax due to an 510
agreement entered into under division (A)(2) of section 5747.05 511
of the Revised Code. 512

(34) Deduct amounts as provided under section 5747.79 of 513
the Revised Code related to the taxpayer's qualifying capital 514
gains and deductible payroll. 515

To the extent a qualifying capital gain described under 516
division (A)(34) of this section is business income, the 517
taxpayer shall deduct those gains under this division before 518
deducting any such gains under division (A)(28) of this section. 519

(35) (a) For taxable years beginning in or after 2026,	520
deduct, to the extent not otherwise deducted or excluded in	521
computing federal or Ohio adjusted gross income for the taxable	522
year:	523
(i) One hundred per cent of the capital gain received by	524
the taxpayer in the taxable year from a qualifying interest in	525
an Ohio venture capital operating company attributable to the	526
company's investments in Ohio businesses during the period for	527
which the company was an Ohio venture operating company; and	528
(ii) Fifty per cent of the capital gain received by the	529
taxpayer in the taxable year from a qualifying interest in an	530
Ohio venture capital operating company attributable to the	531
company's investments in all other businesses during the period	532
for which the company was an Ohio venture operating company.	533
(b) Add amounts previously deducted by the taxpayer under	534
division (A) (35) (a) of this section if the director of	535
development certifies to the tax commissioner that the	536
requirements for the deduction were not met.	537
(c) All terms used in division (A) (35) of this section	538
have the same meanings as in section 122.851 of the Revised	539
Code.	540
(d) To the extent a capital gain described in division (A)	541
(35) (a) of this section is business income, the taxpayer shall	542
apply that division before applying division (A) (28) of this	543
section.	544
(36) Add, to the extent not otherwise included in	545
computing federal or Ohio adjusted gross income for any taxable	546
year, the taxpayer's proportionate share of the amount of the	547
tax levied under section 5747.38 of the Revised Code and paid by	548

an electing pass-through entity for the taxable year. 549

Notwithstanding any provision of the Revised Code to the 550
contrary, the portion of the addition required by division (A) 551
(36) of this section related to the apportioned business income 552
of the pass-through entity shall be considered business income 553
under division (B) of this section. Such addition is eligible 554
for the deduction in division (A) (28) of this section, subject 555
to the applicable dollar limitations, and the tax rate 556
prescribed by division (A) (4) (a) of section 5747.02 of the 557
Revised Code. The taxpayer shall provide, upon request of the 558
tax commissioner, any documentation necessary to verify the 559
portion of the addition that is business income under this 560
division. 561

(37) Deduct, to the extent not otherwise deducted or 562
excluded in computing federal or Ohio adjusted gross income for 563
the taxable year, amounts delivered to a qualifying institution 564
pursuant to section 3333.128 of the Revised Code for the benefit 565
of the taxpayer or the taxpayer's spouse or dependent. 566

(38) Deduct, to the extent not otherwise deducted or 567
excluded in computing federal or Ohio adjusted gross income for 568
the taxable year, amounts received under the Ohio adoption grant 569
program pursuant to section 5101.191 of the Revised Code. 570

(39) Deduct, to the extent included in federal adjusted 571
gross income, income attributable to amounts provided to a 572
taxpayer for any of the purposes for which a deduction is 573
authorized under section 139 of the Internal Revenue Code, 574
assuming that the train derailment near the city of East 575
Palestine on February 3, 2023, is a qualified disaster pursuant 576
to that section, or to compensate for lost business resulting 577
from that derailment, if such amounts are provided by any of the 578

following:	579
(a) A federal, state, or local government agency;	580
(b) A railroad company, as that term is defined in section 5727.01 of the Revised Code;	581 582
(c) Any subsidiary, insurer, or agent of a railroad company or any related person.	583 584
(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.	585 586 587 588
(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.	589 590 591 592 593
Notwithstanding any provision of the Revised Code to the contrary, the portion of the addition required by division (A) (41) of this section related to the apportioned business income of the pass-through entity shall be considered business income under division (B) of this section. Such addition is eligible for the deduction in division (A) (28) of this section, subject to the applicable dollar limitations, and the tax rate prescribed by division (A) (4) (a) of section 5747.02 of the Revised Code. The taxpayer shall provide, upon request of the tax commissioner, any documentation necessary to verify the portion of the addition that is business income under this division.	594 595 596 597 598 599 600 601 602 603 604 605
(42) Deduct amounts contributed to a homeownership savings account and calculated pursuant to divisions (B) and (C) of	606 607

section 5747.85 of the Revised Code. 608

(43) If the taxpayer is the account owner, add the amount 609
of funds withdrawn from a homeownership savings account not used 610
for eligible expenses, regardless of who deposited those funds. 611
As used in division (A) (43) of this section, "homeownership 612
savings account," "account owner," and "eligible expenses" have 613
the same meanings as in section 5747.85 of the Revised Code. 614

(44) Deduct, to the extent not already deducted or 615
excluded in computing federal or Ohio adjusted gross income for 616
the taxable year, all of the following: 617

(a) Age and service retirement allowance payments received 618
from the public employees retirement system, Ohio police and 619
fire pension fund, or highway patrol retirement system by an 620
individual who retired under section 145.332, 742.37, 5505.16, 621
or 5505.17 of the Revised Code or by the surviving spouse, 622
child, or parent of such an individual on account of the 623
individual's death; 624

(b) Age and service retirement allowance payments received 625
from the public employees retirement system or Cincinnati 626
retirement system by an individual who retired under section 627
145.33 of the Revised Code or under the Cincinnati retirement 628
system and, immediately before retirement, would have been a 629
member of the Ohio public safety officers death benefit fund 630
under section 742.63 of the Revised Code had the individual been 631
killed in the line of duty, or by the surviving spouse, child, 632
or parent of such an individual on account of the individual's 633
death; 634

(c) Any portion of age and service retirement allowance 635
payments received from the federal civil service retirement 636

system or federal employees retirement system, or under any 637
successor retirement program enacted by the congress of the 638
United States that is established and maintained for retired 639
employees of the United States government, by an individual or 640
by the surviving spouse, child, or parent of such an individual 641
on account of the individual's death, that are based on credit 642
received by the individual for performing duties comparable to 643
those that qualify members of the public employees retirement 644
system, Ohio police and fire pension fund, highway patrol 645
retirement system, or Cincinnati retirement system for a 646
deduction under division (A) (44) (a) or (b) of this section. 647

Any amount deducted under division (A) (44) of this section 648
is not included in a taxpayer's adjusted gross income for the 649
purposes of section 5747.055 of the Revised Code. No amount may 650
be deducted under division (A) (44) of this section on the basis 651
of which a credit was claimed under section 5747.055 of the 652
Revised Code. 653

(B) "Business income" means income, including gain or 654
loss, arising from transactions, activities, and sources in the 655
regular course of a trade or business and includes income, gain, 656
or loss from real property, tangible property, and intangible 657
property if the acquisition, rental, management, and disposition 658
of the property constitute integral parts of the regular course 659
of a trade or business operation. "Business income" includes 660
income, including gain or loss, from a partial or complete 661
liquidation of a business, including, but not limited to, gain 662
or loss from the sale or other disposition of goodwill or the 663
sale of an equity or ownership interest in a business. 664

As used in this division, the "sale of an equity or 665
ownership interest in a business" means sales to which either or 666

both of the following apply:	667
(1) The sale is treated for federal income tax purposes as the sale of assets.	668 669
(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.	670 671 672 673
(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.	674 675 676 677 678 679
(D) "Compensation" means any form of remuneration paid to an employee for personal services.	680 681
(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.	682 683 684
(F) "Fiscal year" means an accounting period of twelve months ending on the last day of any month other than December.	685 686
(G) "Individual" means any natural person.	687
(H) "Internal Revenue Code" means the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended.	688 689
(I) "Resident" means any of the following:	690
(1) An individual who is domiciled in this state, subject to section 5747.24 of the Revised Code;	691 692
(2) The estate of a decedent who at the time of death was	693

domiciled in this state. The domicile tests of section 5747.24 694
of the Revised Code are not controlling for purposes of division 695
(I) (2) of this section. 696

(3) A trust that, in whole or part, resides in this state. 697
If only part of a trust resides in this state, the trust is a 698
resident only with respect to that part. 699

For the purposes of division (I) (3) of this section: 700

(a) A trust resides in this state for the trust's current 701
taxable year to the extent, as described in division (I) (3) (d) 702
of this section, that the trust consists directly or indirectly, 703
in whole or in part, of assets, net of any related liabilities, 704
that were transferred, or caused to be transferred, directly or 705
indirectly, to the trust by any of the following: 706

(i) A person, a court, or a governmental entity or 707
instrumentality on account of the death of a decedent, but only 708
if the trust is described in division (I) (3) (e) (i) or (ii) of 709
this section; 710

(ii) A person who was domiciled in this state for the 711
purposes of this chapter when the person directly or indirectly 712
transferred assets to an irrevocable trust, but only if at least 713
one of the trust's qualifying beneficiaries is domiciled in this 714
state for the purposes of this chapter during all or some 715
portion of the trust's current taxable year; 716

(iii) A person who was domiciled in this state for the 717
purposes of this chapter when the trust document or instrument 718
or part of the trust document or instrument became irrevocable, 719
but only if at least one of the trust's qualifying beneficiaries 720
is a resident domiciled in this state for the purposes of this 721
chapter during all or some portion of the trust's current 722

taxable year. If a trust document or instrument became 723
irrevocable upon the death of a person who at the time of death 724
was domiciled in this state for purposes of this chapter, that 725
person is a person described in division (I) (3) (a) (iii) of this 726
section. 727

(b) A trust is irrevocable to the extent that the 728
transferor is not considered to be the owner of the net assets 729
of the trust under sections 671 to 678 of the Internal Revenue 730
Code. 731

(c) With respect to a trust other than a charitable lead 732
trust, "qualifying beneficiary" has the same meaning as 733
"potential current beneficiary" as defined in section 1361(e) (2) 734
of the Internal Revenue Code, and with respect to a charitable 735
lead trust "qualifying beneficiary" is any current, future, or 736
contingent beneficiary, but with respect to any trust 737
"qualifying beneficiary" excludes a person or a governmental 738
entity or instrumentality to any of which a contribution would 739
qualify for the charitable deduction under section 170 of the 740
Internal Revenue Code. 741

(d) For the purposes of division (I) (3) (a) of this 742
section, the extent to which a trust consists directly or 743
indirectly, in whole or in part, of assets, net of any related 744
liabilities, that were transferred directly or indirectly, in 745
whole or part, to the trust by any of the sources enumerated in 746
that division shall be ascertained by multiplying the fair 747
market value of the trust's assets, net of related liabilities, 748
by the qualifying ratio, which shall be computed as follows: 749

(i) The first time the trust receives assets, the 750
numerator of the qualifying ratio is the fair market value of 751
those assets at that time, net of any related liabilities, from 752

sources enumerated in division (I) (3) (a) of this section. The 753
denominator of the qualifying ratio is the fair market value of 754
all the trust's assets at that time, net of any related 755
liabilities. 756

(ii) Each subsequent time the trust receives assets, a 757
revised qualifying ratio shall be computed. The numerator of the 758
revised qualifying ratio is the sum of (1) the fair market value 759
of the trust's assets immediately prior to the subsequent 760
transfer, net of any related liabilities, multiplied by the 761
qualifying ratio last computed without regard to the subsequent 762
transfer, and (2) the fair market value of the subsequently 763
transferred assets at the time transferred, net of any related 764
liabilities, from sources enumerated in division (I) (3) (a) of 765
this section. The denominator of the revised qualifying ratio is 766
the fair market value of all the trust's assets immediately 767
after the subsequent transfer, net of any related liabilities. 768

(iii) Whether a transfer to the trust is by or from any of 769
the sources enumerated in division (I) (3) (a) of this section 770
shall be ascertained without regard to the domicile of the 771
trust's beneficiaries. 772

(e) For the purposes of division (I) (3) (a) (i) of this 773
section: 774

(i) A trust is described in division (I) (3) (e) (i) of this 775
section if the trust is a testamentary trust and the testator of 776
that testamentary trust was domiciled in this state at the time 777
of the testator's death for purposes of the taxes levied under 778
Chapter 5731. of the Revised Code. 779

(ii) A trust is described in division (I) (3) (e) (ii) of 780
this section if the transfer is a qualifying transfer described 781

in any of divisions (I) (3) (f) (i) to (vi) of this section, the 782
trust is an irrevocable inter vivos trust, and at least one of 783
the trust's qualifying beneficiaries is domiciled in this state 784
for purposes of this chapter during all or some portion of the 785
trust's current taxable year. 786

(f) For the purposes of division (I) (3) (e) (ii) of this 787
section, a "qualifying transfer" is a transfer of assets, net of 788
any related liabilities, directly or indirectly to a trust, if 789
the transfer is described in any of the following: 790

(i) The transfer is made to a trust, created by the 791
decedent before the decedent's death and while the decedent was 792
domiciled in this state for the purposes of this chapter, and, 793
prior to the death of the decedent, the trust became irrevocable 794
while the decedent was domiciled in this state for the purposes 795
of this chapter. 796

(ii) The transfer is made to a trust to which the 797
decedent, prior to the decedent's death, had directly or 798
indirectly transferred assets, net of any related liabilities, 799
while the decedent was domiciled in this state for the purposes 800
of this chapter, and prior to the death of the decedent the 801
trust became irrevocable while the decedent was domiciled in 802
this state for the purposes of this chapter. 803

(iii) The transfer is made on account of a contractual 804
relationship existing directly or indirectly between the 805
transferor and either the decedent or the estate of the decedent 806
at any time prior to the date of the decedent's death, and the 807
decedent was domiciled in this state at the time of death for 808
purposes of the taxes levied under Chapter 5731. of the Revised 809
Code. 810

(iv) The transfer is made to a trust on account of a 811
contractual relationship existing directly or indirectly between 812
the transferor and another person who at the time of the 813
decedent's death was domiciled in this state for purposes of 814
this chapter. 815

(v) The transfer is made to a trust on account of the will 816
of a testator who was domiciled in this state at the time of the 817
testator's death for purposes of the taxes levied under Chapter 818
5731. of the Revised Code. 819

(vi) The transfer is made to a trust created by or caused 820
to be created by a court, and the trust was directly or 821
indirectly created in connection with or as a result of the 822
death of an individual who, for purposes of the taxes levied 823
under Chapter 5731. of the Revised Code, was domiciled in this 824
state at the time of the individual's death. 825

(g) The tax commissioner may adopt rules to ascertain the 826
part of a trust residing in this state. 827

(J) "Nonresident" means an individual or estate that is 828
not a resident. An individual who is a resident for only part of 829
a taxable year is a nonresident for the remainder of that 830
taxable year. 831

(K) "Pass-through entity" has the same meaning as in 832
section 5733.04 of the Revised Code. 833

(L) "Return" means the notifications and reports required 834
to be filed pursuant to this chapter for the purpose of 835
reporting the tax due and includes declarations of estimated tax 836
when so required. 837

(M) "Taxable year" means the calendar year or the 838
taxpayer's fiscal year ending during the calendar year, or 839

fractional part thereof, upon which the adjusted gross income is 840
calculated pursuant to this chapter. 841

(N) "Taxpayer" means any person subject to the tax imposed 842
by section 5747.02 of the Revised Code or any pass-through 843
entity that makes the election under division (D) of section 844
5747.08 of the Revised Code. 845

(O) "Dependents" means one of the following: 846

(1) For taxable years beginning on or after January 1, 847
2018, and before January 1, 2026, dependents as defined in the 848
Internal Revenue Code; 849

(2) For all other taxable years, dependents as defined in 850
the Internal Revenue Code and as claimed in the taxpayer's 851
federal income tax return for the taxable year or which the 852
taxpayer would have been permitted to claim had the taxpayer 853
filed a federal income tax return. 854

(P) "Principal county of employment" means, in the case of 855
a nonresident, the county within the state in which a taxpayer 856
performs services for an employer or, if those services are 857
performed in more than one county, the county in which the major 858
portion of the services are performed. 859

(Q) As used in sections 5747.50 to 5747.55 of the Revised 860
Code: 861

(1) "Subdivision" means any county, municipal corporation, 862
park district, or township. 863

(2) "Essential local government purposes" includes all 864
functions that any subdivision is required by general law to 865
exercise, including like functions that are exercised under a 866
charter adopted pursuant to the Ohio Constitution. 867

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

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

(1) Add interest or dividends, net of ordinary, necessary, and reasonable expenses not deducted in computing federal taxable income, 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, but only to the extent that such net amount is not otherwise includible in Ohio taxable income and is described in either division (S) (1) (a) or (b) of this section:

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

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

(2) Add interest or dividends, net of ordinary, necessary, and reasonable expenses not deducted in computing federal taxable income, 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, but only to the extent that such net amount is not otherwise includible in Ohio taxable income and is described in either division (S) (1) (a) or (b) of this section;

(3) Add the amount of personal exemption allowed to the	897
estate pursuant to section 642(b) of the Internal Revenue Code;	898
(4) Deduct interest or dividends, net of related expenses	899
deducted in computing federal taxable income, on obligations of	900
the United States and its territories and possessions or of any	901
authority, commission, or instrumentality of the United States	902
to the extent that the interest or dividends are exempt from	903
state taxes under the laws of the United States, but only to the	904
extent that such amount is included in federal taxable income	905
and is described in either division (S) (1) (a) or (b) of this	906
section;	907
(5) Deduct the amount of wages and salaries, if any, not	908
otherwise allowable as a deduction but that would have been	909
allowable as a deduction in computing federal taxable income for	910
the taxable year, had the work opportunity tax credit allowed	911
under sections 38, 51, and 52 of the Internal Revenue Code not	912
been in effect, but only to the extent such amount relates	913
either to income included in federal taxable income for the	914
taxable year or to income of the S portion of an electing small	915
business trust for the taxable year;	916
(6) Deduct any interest or interest equivalent, net of	917
related expenses deducted in computing federal taxable income,	918
on public obligations and purchase obligations, but only to the	919
extent that such net amount relates either to income included in	920
federal taxable income for the taxable year or to income of the	921
S portion of an electing small business trust for the taxable	922
year;	923
(7) Add any loss or deduct any gain resulting from sale,	924
exchange, or other disposition of public obligations to the	925
extent that such loss has been deducted or such gain has been	926

included in computing either federal taxable income or income of 927
the S portion of an electing small business trust for the 928
taxable year; 929

(8) Except in the case of the final return of an estate, 930
add any amount deducted by the taxpayer on both its Ohio estate 931
tax return pursuant to section 5731.14 of the Revised Code, and 932
on its federal income tax return in determining federal taxable 933
income; 934

(9) (a) Deduct any amount included in federal taxable 935
income solely because the amount represents a reimbursement or 936
refund of expenses that in a previous year the decedent had 937
deducted as an itemized deduction pursuant to section 63 of the 938
Internal Revenue Code and applicable treasury regulations. The 939
deduction otherwise allowed under division (S) (9) (a) of this 940
section shall be reduced to the extent the reimbursement is 941
attributable to an amount the taxpayer or decedent deducted 942
under this section in any taxable year. 943

(b) Add any amount not otherwise included in Ohio taxable 944
income for any taxable year to the extent that the amount is 945
attributable to the recovery during the taxable year of any 946
amount deducted or excluded in computing federal or Ohio taxable 947
income in any taxable year, but only to the extent such amount 948
has not been distributed to beneficiaries for the taxable year. 949

(10) Deduct any portion of the deduction described in 950
section 1341(a) (2) of the Internal Revenue Code, for repaying 951
previously reported income received under a claim of right, that 952
meets both of the following requirements: 953

(a) It is allowable for repayment of an item that was 954
included in the taxpayer's taxable income or the decedent's 955

adjusted gross income for a prior taxable year and did not 956
qualify for a credit under division (A) or (B) of section 957
5747.05 of the Revised Code for that year. 958

(b) It does not otherwise reduce the taxpayer's taxable 959
income or the decedent's adjusted gross income for the current 960
or any other taxable year. 961

(11) Add any amount claimed as a credit under section 962
5747.059 of the Revised Code to the extent that the amount 963
satisfies either of the following: 964

(a) The amount was deducted or excluded from the 965
computation of the taxpayer's federal taxable income as required 966
to be reported for the taxpayer's taxable year under the 967
Internal Revenue Code; 968

(b) The amount resulted in a reduction in the taxpayer's 969
federal taxable income as required to be reported for any of the 970
taxpayer's taxable years under the Internal Revenue Code. 971

(12) Deduct any amount, net of related expenses deducted 972
in computing federal taxable income, that a trust is required to 973
report as farm income on its federal income tax return, but only 974
if the assets of the trust include at least ten acres of land 975
satisfying the definition of "land devoted exclusively to 976
agricultural use" under section 5713.30 of the Revised Code, 977
regardless of whether the land is valued for tax purposes as 978
such land under sections 5713.30 to 5713.38 of the Revised Code. 979
If the trust is a pass-through entity investor, section 5747.231 980
of the Revised Code applies in ascertaining if the trust is 981
eligible to claim the deduction provided by division (S) (12) of 982
this section in connection with the pass-through entity's farm 983
income. 984

Except for farm income attributable to the S portion of an	985
electing small business trust, the deduction provided by	986
division (S) (12) of this section is allowed only to the extent	987
that the trust has not distributed such farm income.	988
(13) Add the net amount of income described in section	989
641(c) of the Internal Revenue Code to the extent that amount is	990
not included in federal taxable income.	991
(14) Deduct the amount the taxpayer would be required to	992
deduct under division (A) (18) of this section if the taxpayer's	993
Ohio taxable income were computed in the same manner as an	994
individual's Ohio adjusted gross income is computed under this	995
section.	996
(15) Add, to the extent not otherwise included in	997
computing taxable income or Ohio taxable income for any taxable	998
year, the taxpayer's proportionate share of the amount of the	999
tax levied under section 5747.38 of the Revised Code and paid by	1000
an electing pass-through entity for the taxable year.	1001
(16) Add any income taxes deducted in computing federal	1002
taxable income or Ohio taxable income to the extent the income	1003
taxes were derived from income subject to a tax levied in	1004
another state or the District of Columbia when such tax was	1005
enacted for purposes of complying with internal revenue service	1006
notice 2020-75.	1007
(T) "School district income" and "school district income	1008
tax" have the same meanings as in section 5748.01 of the Revised	1009
Code.	1010
(U) As used in divisions (A) (7), (A) (8), (S) (6), and (S)	1011
(7) of this section, "public obligations," "purchase	1012
obligations," and "interest or interest equivalent" have the	1013

same meanings as in section 5709.76 of the Revised Code. 1014

(V) "Limited liability company" means any limited 1015
liability company formed under former Chapter 1705. of the 1016
Revised Code as that chapter existed prior to February 11, 2022, 1017
Chapter 1706. of the Revised Code, or the laws of any other 1018
state. 1019

(W) "Pass-through entity investor" means any person who, 1020
during any portion of a taxable year of a pass-through entity, 1021
is a partner, member, shareholder, or equity investor in that 1022
pass-through entity. 1023

(X) "Banking day" has the same meaning as in section 1024
1304.01 of the Revised Code. 1025

(Y) "Month" means a calendar month. 1026

(Z) "Quarter" means the first three months, the second 1027
three months, the third three months, or the last three months 1028
of the taxpayer's taxable year. 1029

(AA) (1) "Modified business income" means the business 1030
income included in a trust's Ohio taxable income after such 1031
taxable income is first reduced by the qualifying trust amount, 1032
if any. 1033

(2) "Qualifying trust amount" of a trust means capital 1034
gains and losses from the sale, exchange, or other disposition 1035
of equity or ownership interests in, or debt obligations of, a 1036
qualifying investee to the extent included in the trust's Ohio 1037
taxable income, but only if the following requirements are 1038
satisfied: 1039

(a) The book value of the qualifying investee's physical 1040
assets in this state and everywhere, as of the last day of the 1041

qualifying investee's fiscal or calendar year ending immediately 1042
prior to the date on which the trust recognizes the gain or 1043
loss, is available to the trust. 1044

(b) The requirements of section 5747.011 of the Revised 1045
Code are satisfied for the trust's taxable year in which the 1046
trust recognizes the gain or loss. 1047

Any gain or loss that is not a qualifying trust amount is 1048
modified business income, qualifying investment income, or 1049
modified nonbusiness income, as the case may be. 1050

(3) "Modified nonbusiness income" means a trust's Ohio 1051
taxable income other than modified business income, other than 1052
the qualifying trust amount, and other than qualifying 1053
investment income, as defined in section 5747.012 of the Revised 1054
Code, to the extent such qualifying investment income is not 1055
otherwise part of modified business income. 1056

(4) "Modified Ohio taxable income" applies only to trusts, 1057
and means the sum of the amounts described in divisions (AA) (4) 1058
(a) to (c) of this section: 1059

(a) The fraction, calculated under section 5747.013, and 1060
applying section 5747.231 of the Revised Code, multiplied by the 1061
sum of the following amounts: 1062

(i) The trust's modified business income; 1063

(ii) The trust's qualifying investment income, as defined 1064
in section 5747.012 of the Revised Code, but only to the extent 1065
the qualifying investment income does not otherwise constitute 1066
modified business income and does not otherwise constitute a 1067
qualifying trust amount. 1068

(b) The qualifying trust amount multiplied by a fraction, 1069

the numerator of which is the sum of the book value of the 1070
qualifying investee's physical assets in this state on the last 1071
day of the qualifying investee's fiscal or calendar year ending 1072
immediately prior to the day on which the trust recognizes the 1073
qualifying trust amount, and the denominator of which is the sum 1074
of the book value of the qualifying investee's total physical 1075
assets everywhere on the last day of the qualifying investee's 1076
fiscal or calendar year ending immediately prior to the day on 1077
which the trust recognizes the qualifying trust amount. If, for 1078
a taxable year, the trust recognizes a qualifying trust amount 1079
with respect to more than one qualifying investee, the amount 1080
described in division (AA) (4) (b) of this section shall equal the 1081
sum of the products so computed for each such qualifying 1082
investee. 1083

(c) (i) With respect to a trust or portion of a trust that 1084
is a resident as ascertained in accordance with division (I) (3) 1085
(d) of this section, its modified nonbusiness income. 1086

(ii) With respect to a trust or portion of a trust that is 1087
not a resident as ascertained in accordance with division (I) (3) 1088
(d) of this section, the amount of its modified nonbusiness 1089
income satisfying the descriptions in divisions (B) (2) to (5) of 1090
section 5747.20 of the Revised Code, except as otherwise 1091
provided in division (AA) (4) (c) (ii) of this section. With 1092
respect to a trust or portion of a trust that is not a resident 1093
as ascertained in accordance with division (I) (3) (d) of this 1094
section, the trust's portion of modified nonbusiness income 1095
recognized from the sale, exchange, or other disposition of a 1096
debt interest in or equity interest in a section 5747.212 1097
entity, as defined in section 5747.212 of the Revised Code, 1098
without regard to division (A) of that section, shall not be 1099
allocated to this state in accordance with section 5747.20 of 1100

the Revised Code but shall be apportioned to this state in 1101
accordance with division (B) of section 5747.212 of the Revised 1102
Code without regard to division (A) of that section. 1103

If the allocation and apportionment of a trust's income 1104
under divisions (AA) (4) (a) and (c) of this section do not fairly 1105
represent the modified Ohio taxable income of the trust in this 1106
state, the alternative methods described in division (C) of 1107
section 5747.21 of the Revised Code may be applied in the manner 1108
and to the same extent provided in that section. 1109

(5) (a) Except as set forth in division (AA) (5) (b) of this 1110
section, "qualifying investee" means a person in which a trust 1111
has an equity or ownership interest, or a person or unit of 1112
government the debt obligations of either of which are owned by 1113
a trust. For the purposes of division (AA) (2) (a) of this section 1114
and for the purpose of computing the fraction described in 1115
division (AA) (4) (b) of this section, all of the following apply: 1116

(i) If the qualifying investee is a member of a qualifying 1117
controlled group on the last day of the qualifying investee's 1118
fiscal or calendar year ending immediately prior to the date on 1119
which the trust recognizes the gain or loss, then "qualifying 1120
investee" includes all persons in the qualifying controlled 1121
group on such last day. 1122

(ii) If the qualifying investee, or if the qualifying 1123
investee and any members of the qualifying controlled group of 1124
which the qualifying investee is a member on the last day of the 1125
qualifying investee's fiscal or calendar year ending immediately 1126
prior to the date on which the trust recognizes the gain or 1127
loss, separately or cumulatively own, directly or indirectly, on 1128
the last day of the qualifying investee's fiscal or calendar 1129
year ending immediately prior to the date on which the trust 1130

recognizes the qualifying trust amount, more than fifty per cent 1131
of the equity of a pass-through entity, then the qualifying 1132
investee and the other members are deemed to own the 1133
proportionate share of the pass-through entity's physical assets 1134
which the pass-through entity directly or indirectly owns on the 1135
last day of the pass-through entity's calendar or fiscal year 1136
ending within or with the last day of the qualifying investee's 1137
fiscal or calendar year ending immediately prior to the date on 1138
which the trust recognizes the qualifying trust amount. 1139

(iii) For the purposes of division (AA) (5) (a) (iii) of this 1140
section, "upper level pass-through entity" means a pass-through 1141
entity directly or indirectly owning any equity of another pass- 1142
through entity, and "lower level pass-through entity" means that 1143
other pass-through entity. 1144

An upper level pass-through entity, whether or not it is 1145
also a qualifying investee, is deemed to own, on the last day of 1146
the upper level pass-through entity's calendar or fiscal year, 1147
the proportionate share of the lower level pass-through entity's 1148
physical assets that the lower level pass-through entity 1149
directly or indirectly owns on the last day of the lower level 1150
pass-through entity's calendar or fiscal year ending within or 1151
with the last day of the upper level pass-through entity's 1152
fiscal or calendar year. If the upper level pass-through entity 1153
directly and indirectly owns less than fifty per cent of the 1154
equity of the lower level pass-through entity on each day of the 1155
upper level pass-through entity's calendar or fiscal year in 1156
which or with which ends the calendar or fiscal year of the 1157
lower level pass-through entity and if, based upon clear and 1158
convincing evidence, complete information about the location and 1159
cost of the physical assets of the lower pass-through entity is 1160
not available to the upper level pass-through entity, then 1161

solely for purposes of ascertaining if a gain or loss 1162
constitutes a qualifying trust amount, the upper level pass- 1163
through entity shall be deemed as owning no equity of the lower 1164
level pass-through entity for each day during the upper level 1165
pass-through entity's calendar or fiscal year in which or with 1166
which ends the lower level pass-through entity's calendar or 1167
fiscal year. Nothing in division (AA) (5) (a) (iii) of this section 1168
shall be construed to provide for any deduction or exclusion in 1169
computing any trust's Ohio taxable income. 1170

(b) With respect to a trust that is not a resident for the 1171
taxable year and with respect to a part of a trust that is not a 1172
resident for the taxable year, "qualifying investee" for that 1173
taxable year does not include a C corporation if both of the 1174
following apply: 1175

(i) During the taxable year the trust or part of the trust 1176
recognizes a gain or loss from the sale, exchange, or other 1177
disposition of equity or ownership interests in, or debt 1178
obligations of, the C corporation. 1179

(ii) Such gain or loss constitutes nonbusiness income. 1180

(6) "Available" means information is such that a person is 1181
able to learn of the information by the due date plus 1182
extensions, if any, for filing the return for the taxable year 1183
in which the trust recognizes the gain or loss. 1184

(BB) "Qualifying controlled group" has the same meaning as 1185
in section 5733.04 of the Revised Code. 1186

(CC) "Related member" has the same meaning as in section 1187
5733.042 of the Revised Code. 1188

(DD) (1) For the purposes of division (DD) of this section: 1189

(a) "Qualifying person" means any person other than a	1190
qualifying corporation.	1191
(b) "Qualifying corporation" means any person classified	1192
for federal income tax purposes as an association taxable as a	1193
corporation, except either of the following:	1194
(i) A corporation that has made an election under	1195
subchapter S, chapter one, subtitle A, of the Internal Revenue	1196
Code for its taxable year ending within, or on the last day of,	1197
the investor's taxable year;	1198
(ii) A subsidiary that is wholly owned by any corporation	1199
that has made an election under subchapter S, chapter one,	1200
subtitle A of the Internal Revenue Code for its taxable year	1201
ending within, or on the last day of, the investor's taxable	1202
year.	1203
(2) For the purposes of this chapter, unless expressly	1204
stated otherwise, no qualifying person indirectly owns any asset	1205
directly or indirectly owned by any qualifying corporation.	1206
(EE) For purposes of this chapter and Chapter 5751. of the	1207
Revised Code:	1208
(1) "Trust" does not include a qualified pre-income tax	1209
trust.	1210
(2) A "qualified pre-income tax trust" is any pre-income	1211
tax trust that makes a qualifying pre-income tax trust election	1212
as described in division (EE) (3) of this section.	1213
(3) A "qualifying pre-income tax trust election" is an	1214
election by a pre-income tax trust to subject to the tax imposed	1215
by section 5751.02 of the Revised Code the pre-income tax trust	1216
and all pass-through entities of which the trust owns or	1217

controls, directly, indirectly, or constructively through 1218
related interests, five per cent or more of the ownership or 1219
equity interests. The trustee shall notify the tax commissioner 1220
in writing of the election on or before April 15, 2006. The 1221
election, if timely made, shall be effective on and after 1222
January 1, 2006, and shall apply for all tax periods and tax 1223
years until revoked by the trustee of the trust. 1224

(4) A "pre-income tax trust" is a trust that satisfies all 1225
of the following requirements: 1226

(a) The document or instrument creating the trust was 1227
executed by the grantor before January 1, 1972; 1228

(b) The trust became irrevocable upon the creation of the 1229
trust; and 1230

(c) The grantor was domiciled in this state at the time 1231
the trust was created. 1232

(FF) "Uniformed services" has the same meaning as in 10 1233
U.S.C. 101. 1234

(GG) "Taxable business income" means the amount by which 1235
an individual's business income that is included in federal 1236
adjusted gross income exceeds the amount of business income the 1237
individual is authorized to deduct under division (A) (28) of 1238
this section for the taxable year. 1239

(HH) "Employer" does not include a franchisor with respect 1240
to the franchisor's relationship with a franchisee or an 1241
employee of a franchisee, unless the franchisor agrees to assume 1242
that role in writing or a court of competent jurisdiction 1243
determines that the franchisor exercises a type or degree of 1244
control over the franchisee or the franchisee's employees that 1245
is not customarily exercised by a franchisor for the purpose of 1246

protecting the franchisor's trademark, brand, or both. For 1247
purposes of this division, "franchisor" and "franchisee" have 1248
the same meanings as in 16 C.F.R. 436.1. 1249

(II) "Modified adjusted gross income" means Ohio adjusted 1250
gross income plus any amount deducted under divisions (A) (28) 1251
and (34) of this section for the taxable year. 1252

(JJ) "Qualifying Ohio educator" means an individual who, 1253
for a taxable year, qualifies as an eligible educator, as that 1254
term is defined in section 62 of the Internal Revenue Code, and 1255
who holds a certificate, license, or permit described in Chapter 1256
3319. or section 3301.071 of the Revised Code. 1257

Sec. 5748.01. As used in this chapter: 1258

(A) "School district income tax" means an income tax 1259
adopted under one of the following: 1260

(1) Former section 5748.03 of the Revised Code as it 1261
existed prior to its repeal by Amended Substitute House Bill No. 1262
291 of the 115th general assembly; 1263

(2) Section 5748.03 of the Revised Code as enacted in 1264
Substitute Senate Bill No. 28 of the 118th general assembly; 1265

(3) Section 5748.08 of the Revised Code as enacted in 1266
Amended Substitute Senate Bill No. 17 of the 122nd general 1267
assembly; 1268

(4) Section 5748.021 of the Revised Code; 1269

(5) Section 5748.081 of the Revised Code; 1270

(6) Section 5748.09 of the Revised Code. 1271

(B) "Individual" means an individual subject to the tax 1272
levied by section 5747.02 of the Revised Code. 1273

(C) "Estate" means an estate subject to the tax levied by section 5747.02 of the Revised Code.	1274 1275
(D) "Taxable year" means a taxable year as defined in division (M) of section 5747.01 of the Revised Code.	1276 1277
(E) "Taxable income" means:	1278
(1) In the case of an individual, one of the following, as specified in the resolution imposing the tax:	1279 1280
(a) Modified adjusted gross income for the taxable year, as defined in section 5747.01 of the Revised Code, <u>plus any amount the individual deducted for the taxable year under division (A) (44) of that section,</u> less the exemptions provided by section 5747.02 <u>5747.025</u> of the Revised Code;	1281 1282 1283 1284 1285
(b) Wages, salaries, tips, and other employee compensation to the extent included in modified adjusted gross income as defined in section 5747.01 of the Revised Code, and net earnings from self-employment, as defined in section 1402(a) of the Internal Revenue Code, to the extent included in modified adjusted gross income.	1286 1287 1288 1289 1290 1291
(2) In the case of an estate, taxable income for the taxable year as defined in division (S) of section 5747.01 of the Revised Code.	1292 1293 1294
(F) "Resident" of the school district means:	1295
(1) An individual who is a resident of this state as defined in division (I) of section 5747.01 of the Revised Code during all or a portion of the taxable year and who, during all or a portion of such period of state residency, is domiciled in the school district or lives in and maintains a permanent place of abode in the school district;	1296 1297 1298 1299 1300 1301

(2) An estate of a decedent who, at the time of death, was 1302
domiciled in the school district. 1303

(G) "School district income" means: 1304

(1) With respect to an individual, the portion of the 1305
taxable income of an individual that is received by the 1306
individual during the portion of the taxable year that the 1307
individual is a resident of the school district and the school 1308
district income tax is in effect in that school district. An 1309
individual may have school district income with respect to more 1310
than one school district. 1311

(2) With respect to an estate, the taxable income of the 1312
estate for the portion of the taxable year that the school 1313
district income tax is in effect in that school district. 1314

(H) "Taxpayer" means an individual or estate having school 1315
district income upon which a school district income tax is 1316
imposed. 1317

(I) "School district purposes" means any of the purposes 1318
for which a tax may be levied pursuant to division (A) of 1319
section 5705.21 of the Revised Code, including the combined 1320
purposes authorized by section 5705.217 of the Revised Code. 1321

(J) "The county auditor's appraised value" and "estimated 1322
effective rate" have the same meanings as in section 5705.01 of 1323
the Revised Code. 1324

Section 2. That existing sections 131.51, 145.56, 5505.22, 1325
5747.01, and 5748.01 of the Revised Code are hereby repealed. 1326

Section 3. The amendment by this act of sections 145.56, 1327
5505.22, and 5747.01 of the Revised Code applies to taxable 1328
years ending on or after the effective date of this section. 1329