

As Introduced

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Representatives Rogers, Rezabek

**Cosponsors: Representatives Boggs, Celebrezze, Cera, Kent, Manning, Miller,
O'Brien, Patterson, Sheehy, Stein, West**

A BILL

To amend section 5747.01 and to enact section 1
5747.014 of the Revised Code to authorize, for 2
six years, a personal income tax deduction for 3
attorneys and pass-through entity law firms 4
based on the number of hours the attorney 5
performed pro bono legal work for indigent 6
clients through a legal aid society and the 7
expenses associated with that work. 8

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

Section 1. That section 5747.01 be amended and section 9
5747.014 of the Revised Code be enacted to read as follows: 10

Sec. 5747.01. Except as otherwise expressly provided or 11
clearly appearing from the context, any term used in this 12
chapter that is not otherwise defined in this section has the 13
same meaning as when used in a comparable context in the laws of 14
the United States relating to federal income taxes or if not 15
used in a comparable context in those laws, has the same meaning 16
as in section 5733.40 of the Revised Code. Any reference in this 17
chapter to the Internal Revenue Code includes other laws of the 18

United States relating to federal income taxes.	19
As used in this chapter:	20
(A) "Adjusted gross income" or "Ohio adjusted gross income" means federal adjusted gross income, as defined and used in the Internal Revenue Code, adjusted as provided in this section:	21 22 23 24
(1) Add interest or dividends on obligations or securities of any state or of any political subdivision or authority of any state, other than this state and its subdivisions and authorities.	25 26 27 28
(2) Add interest or dividends on obligations of any authority, commission, instrumentality, territory, or possession of the United States to the extent that the interest or dividends are exempt from federal income taxes but not from state income taxes.	29 30 31 32 33
(3) Deduct interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent that the interest or dividends are included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.	34 35 36 37 38 39
(4) Deduct disability and survivor's benefits to the extent included in federal adjusted gross income.	40 41
(5) Deduct benefits under Title II of the Social Security Act and tier 1 railroad retirement benefits to the extent included in federal adjusted gross income under section 86 of the Internal Revenue Code.	42 43 44 45
(6) In the case of a taxpayer who is a beneficiary of a	46

trust that makes an accumulation distribution as defined in 47
section 665 of the Internal Revenue Code, add, for the 48
beneficiary's taxable years beginning before 2002, the portion, 49
if any, of such distribution that does not exceed the 50
undistributed net income of the trust for the three taxable 51
years preceding the taxable year in which the distribution is 52
made to the extent that the portion was not included in the 53
trust's taxable income for any of the trust's taxable years 54
beginning in 2002 or thereafter. "Undistributed net income of a 55
trust" means the taxable income of the trust increased by (a) (i) 56
the additions to adjusted gross income required under division 57
(A) of this section and (ii) the personal exemptions allowed to 58
the trust pursuant to section 642(b) of the Internal Revenue 59
Code, and decreased by (b) (i) the deductions to adjusted gross 60
income required under division (A) of this section, (ii) the 61
amount of federal income taxes attributable to such income, and 62
(iii) the amount of taxable income that has been included in the 63
adjusted gross income of a beneficiary by reason of a prior 64
accumulation distribution. Any undistributed net income included 65
in the adjusted gross income of a beneficiary shall reduce the 66
undistributed net income of the trust commencing with the 67
earliest years of the accumulation period. 68

(7) Deduct the amount of wages and salaries, if any, not 69
otherwise allowable as a deduction but that would have been 70
allowable as a deduction in computing federal adjusted gross 71
income for the taxable year, had the targeted jobs credit 72
allowed and determined under sections 38, 51, and 52 of the 73
Internal Revenue Code not been in effect. 74

(8) Deduct any interest or interest equivalent on public 75
obligations and purchase obligations to the extent that the 76
interest or interest equivalent is included in federal adjusted 77

gross income.	78
(9) 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.	79 80 81 82
(10) Deduct or add amounts, as provided under section 5747.70 of the Revised Code, related to contributions to variable college savings program accounts made or tuition units purchased pursuant to Chapter 3334. of the Revised Code.	83 84 85 86
(11) (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) (11) 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 under part A of Title XVIII of the "Social Security Act," 49 Stat. 620 (1935), 42 U.S.C. 301, as amended. For the purposes of division (A) (11) (a) of this section, "subsidized health plan" means a health plan for which the employer pays any portion of the plan's cost. The deduction allowed under division (A) (11) (a) of this section shall be the net of any related premium refunds, related premium reimbursements, or related insurance premium dividends received during the taxable year.	87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105
(b) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income	106 107

during the taxable year, the amount the taxpayer paid during the 108
taxable year, not compensated for by any insurance or otherwise, 109
for medical care of the taxpayer, the taxpayer's spouse, and 110
dependents, to the extent the expenses exceed seven and one-half 111
per cent of the taxpayer's federal adjusted gross income. 112

(c) Deduct, to the extent not otherwise deducted or 113
excluded in computing federal or Ohio adjusted gross income, any 114
amount included in federal adjusted gross income under section 115
105 or not excluded under section 106 of the Internal Revenue 116
Code solely because it relates to an accident and health plan 117
for a person who otherwise would be a "qualifying relative" and 118
thus a "dependent" under section 152 of the Internal Revenue 119
Code but for the fact that the person fails to meet the income 120
and support limitations under section 152(d)(1)(B) and (C) of 121
the Internal Revenue Code. 122

(d) For purposes of division (A)(11) of this section, 123
"medical care" has the meaning given in section 213 of the 124
Internal Revenue Code, subject to the special rules, 125
limitations, and exclusions set forth therein, and "qualified 126
long-term care" has the same meaning given in section 7702B(c) 127
of the Internal Revenue Code. Solely for purposes of divisions 128
(A)(11)(a) and (c) of this section, "dependent" includes a 129
person who otherwise would be a "qualifying relative" and thus a 130
"dependent" under section 152 of the Internal Revenue Code but 131
for the fact that the person fails to meet the income and 132
support limitations under section 152(d)(1)(B) and (C) of the 133
Internal Revenue Code. 134

(12)(a) Deduct any amount included in federal adjusted 135
gross income solely because the amount represents a 136
reimbursement or refund of expenses that in any year the 137

taxpayer had deducted as an itemized deduction pursuant to 138
section 63 of the Internal Revenue Code and applicable United 139
States department of the treasury regulations. The deduction 140
otherwise allowed under division (A) (12) (a) of this section 141
shall be reduced to the extent the reimbursement is attributable 142
to an amount the taxpayer deducted under this section in any 143
taxable year. 144

(b) Add any amount not otherwise included in Ohio adjusted 145
gross income for any taxable year to the extent that the amount 146
is attributable to the recovery during the taxable year of any 147
amount deducted or excluded in computing federal or Ohio 148
adjusted gross income in any taxable year. 149

(13) Deduct any portion of the deduction described in 150
section 1341(a) (2) of the Internal Revenue Code, for repaying 151
previously reported income received under a claim of right, that 152
meets both of the following requirements: 153

(a) It is allowable for repayment of an item that was 154
included in the taxpayer's adjusted gross income for a prior 155
taxable year and did not qualify for a credit under division (A) 156
or (B) of section 5747.05 of the Revised Code for that year; 157

(b) It does not otherwise reduce the taxpayer's adjusted 158
gross income for the current or any other taxable year. 159

(14) Deduct an amount equal to the deposits made to, and 160
net investment earnings of, a medical savings account during the 161
taxable year, in accordance with section 3924.66 of the Revised 162
Code. The deduction allowed by division (A) (14) of this section 163
does not apply to medical savings account deposits and earnings 164
otherwise deducted or excluded for the current or any other 165
taxable year from the taxpayer's federal adjusted gross income. 166

(15) (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;	167 168 169 170 171 172
(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.	173 174 175
(16) Add any amount claimed as a credit under section 5747.059 or 5747.65 of the Revised Code to the extent that such amount satisfies either of the following:	176 177 178
(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;	179 180 181 182
(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.	183 184 185
(17) 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) (17) of this section.	186 187 188 189 190 191 192 193
(18) Beginning in taxable year 2001 but not for any taxable year beginning after December 31, 2005, if the taxpayer	194 195

is married and files a joint return and the combined federal 196
adjusted gross income of the taxpayer and the taxpayer's spouse 197
for the taxable year does not exceed one hundred thousand 198
dollars, or if the taxpayer is single and has a federal adjusted 199
gross income for the taxable year not exceeding fifty thousand 200
dollars, deduct amounts paid during the taxable year for 201
qualified tuition and fees paid to an eligible institution for 202
the taxpayer, the taxpayer's spouse, or any dependent of the 203
taxpayer, who is a resident of this state and is enrolled in or 204
attending a program that culminates in a degree or diploma at an 205
eligible institution. The deduction may be claimed only to the 206
extent that qualified tuition and fees are not otherwise 207
deducted or excluded for any taxable year from federal or Ohio 208
adjusted gross income. The deduction may not be claimed for 209
educational expenses for which the taxpayer claims a credit 210
under section 5747.27 of the Revised Code. 211

(19) Add any reimbursement received during the taxable 212
year of any amount the taxpayer deducted under division (A) (18) 213
of this section in any previous taxable year to the extent the 214
amount is not otherwise included in Ohio adjusted gross income. 215

(20) (a) (i) Subject to divisions (A) (20) (a) (iii), (iv), and 216
(v) of this section, add five-sixths of the amount of 217
depreciation expense allowed by subsection (k) of section 168 of 218
the Internal Revenue Code, including the taxpayer's 219
proportionate or distributive share of the amount of 220
depreciation expense allowed by that subsection to a pass- 221
through entity in which the taxpayer has a direct or indirect 222
ownership interest. 223

(ii) Subject to divisions (A) (20) (a) (iii), (iv), and (v) 224
of this section, add five-sixths of the amount of qualifying 225

section 179 depreciation expense, including the taxpayer's 226
proportionate or distributive share of the amount of qualifying 227
section 179 depreciation expense allowed to any pass-through 228
entity in which the taxpayer has a direct or indirect ownership 229
interest. 230

(iii) Subject to division (A) (20) (a) (v) of this section, 231
for taxable years beginning in 2012 or thereafter, if the 232
increase in income taxes withheld by the taxpayer is equal to or 233
greater than ten per cent of income taxes withheld by the 234
taxpayer during the taxpayer's immediately preceding taxable 235
year, "two-thirds" shall be substituted for "five-sixths" for 236
the purpose of divisions (A) (20) (a) (i) and (ii) of this section. 237

(iv) Subject to division (A) (20) (a) (v) of this section, 238
for taxable years beginning in 2012 or thereafter, a taxpayer is 239
not required to add an amount under division (A) (20) of this 240
section if the increase in income taxes withheld by the taxpayer 241
and by any pass-through entity in which the taxpayer has a 242
direct or indirect ownership interest is equal to or greater 243
than the sum of (I) the amount of qualifying section 179 244
depreciation expense and (II) the amount of depreciation expense 245
allowed to the taxpayer by subsection (k) of section 168 of the 246
Internal Revenue Code, and including the taxpayer's 247
proportionate or distributive shares of such amounts allowed to 248
any such pass-through entities. 249

(v) If a taxpayer directly or indirectly incurs a net 250
operating loss for the taxable year for federal income tax 251
purposes, to the extent such loss resulted from depreciation 252
expense allowed by subsection (k) of section 168 of the Internal 253
Revenue Code and by qualifying section 179 depreciation expense, 254
"the entire" shall be substituted for "five-sixths of the" for 255

the purpose of divisions (A) (20) (a) (i) and (ii) of this section.	256
The tax commissioner, under procedures established by the	257
commissioner, may waive the add-backs related to a pass-through	258
entity if the taxpayer owns, directly or indirectly, less than	259
five per cent of the pass-through entity.	260
(b) Nothing in division (A) (20) of this section shall be	261
construed to adjust or modify the adjusted basis of any asset.	262
(c) To the extent the add-back required under division (A)	263
(20) (a) of this section is attributable to property generating	264
nonbusiness income or loss allocated under section 5747.20 of	265
the Revised Code, the add-back shall be situated to the same	266
location as the nonbusiness income or loss generated by the	267
property for the purpose of determining the credit under	268
division (A) of section 5747.05 of the Revised Code. Otherwise,	269
the add-back shall be apportioned, subject to one or more of the	270
four alternative methods of apportionment enumerated in section	271
5747.21 of the Revised Code.	272
(d) For the purposes of division (A) (20) (a) (v) of this	273
section, net operating loss carryback and carryforward shall not	274
include the allowance of any net operating loss deduction	275
carryback or carryforward to the taxable year to the extent such	276
loss resulted from depreciation allowed by section 168(k) of the	277
Internal Revenue Code and by the qualifying section 179	278
depreciation expense amount.	279
(e) For the purposes of divisions (A) (20) and (21) of this	280
section:	281
(i) "Income taxes withheld" means the total amount	282
withheld and remitted under sections 5747.06 and 5747.07 of the	283
Revised Code by an employer during the employer's taxable year.	284

(ii) "Increase in income taxes withheld" means the amount 285
by which the amount of income taxes withheld by an employer 286
during the employer's current taxable year exceeds the amount of 287
income taxes withheld by that employer during the employer's 288
immediately preceding taxable year. 289

(iii) "Qualifying section 179 depreciation expense" means 290
the difference between (I) the amount of depreciation expense 291
directly or indirectly allowed to a taxpayer under section 179 292
of the Internal Revised Code, and (II) the amount of 293
depreciation expense directly or indirectly allowed to the 294
taxpayer under section 179 of the Internal Revenue Code as that 295
section existed on December 31, 2002. 296

(21) (a) If the taxpayer was required to add an amount 297
under division (A) (20) (a) of this section for a taxable year, 298
deduct one of the following: 299

(i) One-fifth of the amount so added for each of the five 300
succeeding taxable years if the amount so added was five-sixths 301
of qualifying section 179 depreciation expense or depreciation 302
expense allowed by subsection (k) of section 168 of the Internal 303
Revenue Code; 304

(ii) One-half of the amount so added for each of the two 305
succeeding taxable years if the amount so added was two-thirds 306
of such depreciation expense; 307

(iii) One-sixth of the amount so added for each of the six 308
succeeding taxable years if the entire amount of such 309
depreciation expense was so added. 310

(b) If the amount deducted under division (A) (21) (a) of 311
this section is attributable to an add-back allocated under 312
division (A) (20) (c) of this section, the amount deducted shall 313

be situated to the same location. Otherwise, the add-back shall 314
be apportioned using the apportionment factors for the taxable 315
year in which the deduction is taken, subject to one or more of 316
the four alternative methods of apportionment enumerated in 317
section 5747.21 of the Revised Code. 318

(c) No deduction is available under division (A) (21) (a) of 319
this section with regard to any depreciation allowed by section 320
168(k) of the Internal Revenue Code and by the qualifying 321
section 179 depreciation expense amount to the extent that such 322
depreciation results in or increases a federal net operating 323
loss carryback or carryforward. If no such deduction is 324
available for a taxable year, the taxpayer may carry forward the 325
amount not deducted in such taxable year to the next taxable 326
year and add that amount to any deduction otherwise available 327
under division (A) (21) (a) of this section for that next taxable 328
year. The carryforward of amounts not so deducted shall continue 329
until the entire addition required by division (A) (20) (a) of 330
this section has been deducted. 331

(d) No refund shall be allowed as a result of adjustments 332
made by division (A) (21) of this section. 333

(22) Deduct, to the extent not otherwise deducted or 334
excluded in computing federal or Ohio adjusted gross income for 335
the taxable year, the amount the taxpayer received during the 336
taxable year as reimbursement for life insurance premiums under 337
section 5919.31 of the Revised Code. 338

(23) Deduct, to the extent not otherwise deducted or 339
excluded in computing federal or Ohio adjusted gross income for 340
the taxable year, the amount the taxpayer received during the 341
taxable year as a death benefit paid by the adjutant general 342
under section 5919.33 of the Revised Code. 343

(24) Deduct, to the extent included in federal adjusted 344
gross income and not otherwise allowable as a deduction or 345
exclusion in computing federal or Ohio adjusted gross income for 346
the taxable year, military pay and allowances received by the 347
taxpayer during the taxable year for active duty service in the 348
United States army, air force, navy, marine corps, or coast 349
guard or reserve components thereof or the national guard. The 350
deduction may not be claimed for military pay and allowances 351
received by the taxpayer while the taxpayer is stationed in this 352
state. 353

(25) Deduct, to the extent not otherwise allowable as a 354
deduction or exclusion in computing federal or Ohio adjusted 355
gross income for the taxable year and not otherwise compensated 356
for by any other source, the amount of qualified organ donation 357
expenses incurred by the taxpayer during the taxable year, not 358
to exceed ten thousand dollars. A taxpayer may deduct qualified 359
organ donation expenses only once for all taxable years 360
beginning with taxable years beginning in 2007. 361

For the purposes of division (A) (25) of this section: 362

(a) "Human organ" means all or any portion of a human 363
liver, pancreas, kidney, intestine, or lung, and any portion of 364
human bone marrow. 365

(b) "Qualified organ donation expenses" means travel 366
expenses, lodging expenses, and wages and salary forgone by a 367
taxpayer in connection with the taxpayer's donation, while 368
living, of one or more of the taxpayer's human organs to another 369
human being. 370

(26) Deduct, to the extent not otherwise deducted or 371
excluded in computing federal or Ohio adjusted gross income for 372

the taxable year, amounts received by the taxpayer as retired 373
personnel pay for service in the uniformed services or reserve 374
components thereof, or the national guard, or received by the 375
surviving spouse or former spouse of such a taxpayer under the 376
survivor benefit plan on account of such a taxpayer's death. If 377
the taxpayer receives income on account of retirement paid under 378
the federal civil service retirement system or federal employees 379
retirement system, or under any successor retirement program 380
enacted by the congress of the United States that is established 381
and maintained for retired employees of the United States 382
government, and such retirement income is based, in whole or in 383
part, on credit for the taxpayer's uniformed service, the 384
deduction allowed under this division shall include only that 385
portion of such retirement income that is attributable to the 386
taxpayer's uniformed service, to the extent that portion of such 387
retirement income is otherwise included in federal adjusted 388
gross income and is not otherwise deducted under this section. 389
Any amount deducted under division (A) (26) of this section is 390
not included in a taxpayer's adjusted gross income for the 391
purposes of section 5747.055 of the Revised Code. No amount may 392
be deducted under division (A) (26) of this section on the basis 393
of which a credit was claimed under section 5747.055 of the 394
Revised Code. 395

(27) Deduct, to the extent not otherwise deducted or 396
excluded in computing federal or Ohio adjusted gross income for 397
the taxable year, the amount the taxpayer received during the 398
taxable year from the military injury relief fund created in 399
section 5902.05 of the Revised Code. 400

(28) Deduct, to the extent not otherwise deducted or 401
excluded in computing federal or Ohio adjusted gross income for 402
the taxable year, the amount the taxpayer received as a veterans 403

bonus during the taxable year from the Ohio department of 404
veterans services as authorized by Section 2r of Article VIII, 405
Ohio Constitution. 406

(29) Deduct, to the extent not otherwise deducted or 407
excluded in computing federal or Ohio adjusted gross income for 408
the taxable year, any income derived from a transfer agreement 409
or from the enterprise transferred under that agreement under 410
section 4313.02 of the Revised Code. 411

(30) Deduct, to the extent not otherwise deducted or 412
excluded in computing federal or Ohio adjusted gross income for 413
the taxable year, Ohio college opportunity or federal Pell grant 414
amounts received by the taxpayer or the taxpayer's spouse or 415
dependent pursuant to section 3333.122 of the Revised Code or 20 416
U.S.C. 1070a, et seq., and used to pay room or board furnished 417
by the educational institution for which the grant was awarded 418
at the institution's facilities, including meal plans 419
administered by the institution. For the purposes of this 420
division, receipt of a grant includes the distribution of a 421
grant directly to an educational institution and the crediting 422
of the grant to the enrollee's account with the institution. 423

(31) (a) For taxable years beginning in 2015, deduct from 424
the portion of an individual's adjusted gross income that is 425
business income, to the extent not otherwise deducted or 426
excluded in computing federal or Ohio adjusted gross income for 427
the taxable year, the lesser of the following amounts: 428

(i) Seventy-five per cent of the individual's business 429
income; 430

(ii) Ninety-three thousand seven hundred fifty dollars for 431
each spouse if spouses file separate returns under section 432

5747.08 of the Revised Code or one hundred eighty-seven thousand 433
five hundred dollars for all other individuals. 434

(b) For taxable years beginning in 2016 or thereafter, 435
deduct from the portion of an individual's adjusted gross income 436
that is business income, to the extent not otherwise deducted or 437
excluded in computing federal adjusted gross income for the 438
taxable year, one hundred twenty-five thousand dollars for each 439
spouse if spouses file separate returns under section 5747.08 of 440
the Revised Code or two hundred fifty thousand dollars for all 441
other individuals. 442

(32) Deduct, as provided under section 5747.78 of the 443
Revised Code, contributions to ABLE savings accounts made in 444
accordance with sections 113.50 to 113.56 of the Revised Code. 445

(33) For taxable years beginning after December 31, 2016, 446
and before January 1, 2023, deduct, to the extent not otherwise 447
deducted or excluded in computing federal or Ohio adjusted gross 448
income for the taxable year, amounts related to legal service 449
provided by attorneys to indigent clients as computed under 450
divisions (B) and (C) of section 5747.014 of the Revised Code. 451

(B) "Business income" means income, including gain or 452
loss, arising from transactions, activities, and sources in the 453
regular course of a trade or business and includes income, gain, 454
or loss from real property, tangible property, and intangible 455
property if the acquisition, rental, management, and disposition 456
of the property constitute integral parts of the regular course 457
of a trade or business operation. "Business income" includes 458
income, including gain or loss, from a partial or complete 459
liquidation of a business, including, but not limited to, gain 460
or loss from the sale or other disposition of goodwill. 461

(C) "Nonbusiness income" means all income other than 462
business income and may include, but is not limited to, 463
compensation, rents and royalties from real or tangible personal 464
property, capital gains, interest, dividends and distributions, 465
patent or copyright royalties, or lottery winnings, prizes, and 466
awards. 467

(D) "Compensation" means any form of remuneration paid to 468
an employee for personal services. 469

(E) "Fiduciary" means a guardian, trustee, executor, 470
administrator, receiver, conservator, or any other person acting 471
in any fiduciary capacity for any individual, trust, or estate. 472

(F) "Fiscal year" means an accounting period of twelve 473
months ending on the last day of any month other than December. 474

(G) "Individual" means any natural person. 475

(H) "Internal Revenue Code" means the "Internal Revenue 476
Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended. 477

(I) "Resident" means any of the following, provided that 478
division (I) (3) of this section applies only to taxable years of 479
a trust beginning in 2002 or thereafter: 480

(1) An individual who is domiciled in this state, subject 481
to section 5747.24 of the Revised Code; 482

(2) The estate of a decedent who at the time of death was 483
domiciled in this state. The domicile tests of section 5747.24 484
of the Revised Code are not controlling for purposes of division 485
(I) (2) of this section. 486

(3) A trust that, in whole or part, resides in this state. 487
If only part of a trust resides in this state, the trust is a 488
resident only with respect to that part. 489

For the purposes of division (I) (3) of this section:	490
(a) A trust resides in this state for the trust's current taxable year to the extent, as described in division (I) (3) (d) of this section, that the trust consists directly or indirectly, in whole or in part, of assets, net of any related liabilities, that were transferred, or caused to be transferred, directly or indirectly, to the trust by any of the following:	491 492 493 494 495 496
(i) A person, a court, or a governmental entity or instrumentality on account of the death of a decedent, but only if the trust is described in division (I) (3) (e) (i) or (ii) of this section;	497 498 499 500
(ii) A person who was domiciled in this state for the purposes of this chapter when the person directly or indirectly transferred assets to an irrevocable trust, but only if at least one of the trust's qualifying beneficiaries is domiciled in this state for the purposes of this chapter during all or some portion of the trust's current taxable year;	501 502 503 504 505 506
(iii) A person who was domiciled in this state for the purposes of this chapter when the trust document or instrument or part of the trust document or instrument became irrevocable, but only if at least one of the trust's qualifying beneficiaries is a resident domiciled in this state for the purposes of this chapter during all or some portion of the trust's current taxable year. If a trust document or instrument became irrevocable upon the death of a person who at the time of death was domiciled in this state for purposes of this chapter, that person is a person described in division (I) (3) (a) (iii) of this section.	507 508 509 510 511 512 513 514 515 516 517
(b) A trust is irrevocable to the extent that the	518

transferor is not considered to be the owner of the net assets 519
of the trust under sections 671 to 678 of the Internal Revenue 520
Code. 521

(c) With respect to a trust other than a charitable lead 522
trust, "qualifying beneficiary" has the same meaning as 523
"potential current beneficiary" as defined in section 1361(e)(2) 524
of the Internal Revenue Code, and with respect to a charitable 525
lead trust "qualifying beneficiary" is any current, future, or 526
contingent beneficiary, but with respect to any trust 527
"qualifying beneficiary" excludes a person or a governmental 528
entity or instrumentality to any of which a contribution would 529
qualify for the charitable deduction under section 170 of the 530
Internal Revenue Code. 531

(d) For the purposes of division (I)(3)(a) of this 532
section, the extent to which a trust consists directly or 533
indirectly, in whole or in part, of assets, net of any related 534
liabilities, that were transferred directly or indirectly, in 535
whole or part, to the trust by any of the sources enumerated in 536
that division shall be ascertained by multiplying the fair 537
market value of the trust's assets, net of related liabilities, 538
by the qualifying ratio, which shall be computed as follows: 539

(i) The first time the trust receives assets, the 540
numerator of the qualifying ratio is the fair market value of 541
those assets at that time, net of any related liabilities, from 542
sources enumerated in division (I)(3)(a) of this section. The 543
denominator of the qualifying ratio is the fair market value of 544
all the trust's assets at that time, net of any related 545
liabilities. 546

(ii) Each subsequent time the trust receives assets, a 547
revised qualifying ratio shall be computed. The numerator of the 548

revised qualifying ratio is the sum of (1) the fair market value 549
of the trust's assets immediately prior to the subsequent 550
transfer, net of any related liabilities, multiplied by the 551
qualifying ratio last computed without regard to the subsequent 552
transfer, and (2) the fair market value of the subsequently 553
transferred assets at the time transferred, net of any related 554
liabilities, from sources enumerated in division (I) (3) (a) of 555
this section. The denominator of the revised qualifying ratio is 556
the fair market value of all the trust's assets immediately 557
after the subsequent transfer, net of any related liabilities. 558

(iii) Whether a transfer to the trust is by or from any of 559
the sources enumerated in division (I) (3) (a) of this section 560
shall be ascertained without regard to the domicile of the 561
trust's beneficiaries. 562

(e) For the purposes of division (I) (3) (a) (i) of this 563
section: 564

(i) A trust is described in division (I) (3) (e) (i) of this 565
section if the trust is a testamentary trust and the testator of 566
that testamentary trust was domiciled in this state at the time 567
of the testator's death for purposes of the taxes levied under 568
Chapter 5731. of the Revised Code. 569

(ii) A trust is described in division (I) (3) (e) (ii) of 570
this section if the transfer is a qualifying transfer described 571
in any of divisions (I) (3) (f) (i) to (vi) of this section, the 572
trust is an irrevocable inter vivos trust, and at least one of 573
the trust's qualifying beneficiaries is domiciled in this state 574
for purposes of this chapter during all or some portion of the 575
trust's current taxable year. 576

(f) For the purposes of division (I) (3) (e) (ii) of this 577

section, a "qualifying transfer" is a transfer of assets, net of 578
any related liabilities, directly or indirectly to a trust, if 579
the transfer is described in any of the following: 580

(i) The transfer is made to a trust, created by the 581
decedent before the decedent's death and while the decedent was 582
domiciled in this state for the purposes of this chapter, and, 583
prior to the death of the decedent, the trust became irrevocable 584
while the decedent was domiciled in this state for the purposes 585
of this chapter. 586

(ii) The transfer is made to a trust to which the 587
decedent, prior to the decedent's death, had directly or 588
indirectly transferred assets, net of any related liabilities, 589
while the decedent was domiciled in this state for the purposes 590
of this chapter, and prior to the death of the decedent the 591
trust became irrevocable while the decedent was domiciled in 592
this state for the purposes of this chapter. 593

(iii) The transfer is made on account of a contractual 594
relationship existing directly or indirectly between the 595
transferor and either the decedent or the estate of the decedent 596
at any time prior to the date of the decedent's death, and the 597
decedent was domiciled in this state at the time of death for 598
purposes of the taxes levied under Chapter 5731. of the Revised 599
Code. 600

(iv) The transfer is made to a trust on account of a 601
contractual relationship existing directly or indirectly between 602
the transferor and another person who at the time of the 603
decedent's death was domiciled in this state for purposes of 604
this chapter. 605

(v) The transfer is made to a trust on account of the will 606

of a testator who was domiciled in this state at the time of the 607
testator's death for purposes of the taxes levied under Chapter 608
5731. of the Revised Code. 609

(vi) The transfer is made to a trust created by or caused 610
to be created by a court, and the trust was directly or 611
indirectly created in connection with or as a result of the 612
death of an individual who, for purposes of the taxes levied 613
under Chapter 5731. of the Revised Code, was domiciled in this 614
state at the time of the individual's death. 615

(g) The tax commissioner may adopt rules to ascertain the 616
part of a trust residing in this state. 617

(J) "Nonresident" means an individual or estate that is 618
not a resident. An individual who is a resident for only part of 619
a taxable year is a nonresident for the remainder of that 620
taxable year. 621

(K) "Pass-through entity" has the same meaning as in 622
section 5733.04 of the Revised Code. 623

(L) "Return" means the notifications and reports required 624
to be filed pursuant to this chapter for the purpose of 625
reporting the tax due and includes declarations of estimated tax 626
when so required. 627

(M) "Taxable year" means the calendar year or the 628
taxpayer's fiscal year ending during the calendar year, or 629
fractional part thereof, upon which the adjusted gross income is 630
calculated pursuant to this chapter. 631

(N) "Taxpayer" means any person subject to the tax imposed 632
by section 5747.02 of the Revised Code or any pass-through 633
entity that makes the election under division (D) of section 634
5747.08 of the Revised Code. 635

(O) "Dependents" means dependents as defined in the 636
Internal Revenue Code and as claimed in the taxpayer's federal 637
income tax return for the taxable year or which the taxpayer 638
would have been permitted to claim had the taxpayer filed a 639
federal income tax return. 640

(P) "Principal county of employment" means, in the case of 641
a nonresident, the county within the state in which a taxpayer 642
performs services for an employer or, if those services are 643
performed in more than one county, the county in which the major 644
portion of the services are performed. 645

(Q) As used in sections 5747.50 to 5747.55 of the Revised 646
Code: 647

(1) "Subdivision" means any county, municipal corporation, 648
park district, or township. 649

(2) "Essential local government purposes" includes all 650
functions that any subdivision is required by general law to 651
exercise, including like functions that are exercised under a 652
charter adopted pursuant to the Ohio Constitution. 653

(R) "Overpayment" means any amount already paid that 654
exceeds the figure determined to be the correct amount of the 655
tax. 656

(S) "Taxable income" or "Ohio taxable income" applies only 657
to estates and trusts, and means federal taxable income, as 658
defined and used in the Internal Revenue Code, adjusted as 659
follows: 660

(1) Add interest or dividends, net of ordinary, necessary, 661
and reasonable expenses not deducted in computing federal 662
taxable income, on obligations or securities of any state or of 663
any political subdivision or authority of any state, other than 664

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 estate pursuant to section 642(b) of the Internal Revenue Code;

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

(5) Deduct the amount of wages and salaries, if any, not 694
otherwise allowable as a deduction but that would have been 695
allowable as a deduction in computing federal taxable income for 696
the taxable year, had the targeted jobs credit allowed under 697
sections 38, 51, and 52 of the Internal Revenue Code not been in 698
effect, but only to the extent such amount relates either to 699
income included in federal taxable income for the taxable year 700
or to income of the S portion of an electing small business 701
trust for the taxable year; 702

(6) Deduct any interest or interest equivalent, net of 703
related expenses deducted in computing federal taxable income, 704
on public obligations and purchase obligations, but only to the 705
extent that such net amount relates either to income included in 706
federal taxable income for the taxable year or to income of the 707
S portion of an electing small business trust for the taxable 708
year; 709

(7) Add any loss or deduct any gain resulting from sale, 710
exchange, or other disposition of public obligations to the 711
extent that such loss has been deducted or such gain has been 712
included in computing either federal taxable income or income of 713
the S portion of an electing small business trust for the 714
taxable year; 715

(8) Except in the case of the final return of an estate, 716
add any amount deducted by the taxpayer on both its Ohio estate 717
tax return pursuant to section 5731.14 of the Revised Code, and 718
on its federal income tax return in determining federal taxable 719
income; 720

(9) (a) Deduct any amount included in federal taxable 721
income solely because the amount represents a reimbursement or 722
refund of expenses that in a previous year the decedent had 723

deducted as an itemized deduction pursuant to section 63 of the Internal Revenue Code and applicable treasury regulations. The deduction otherwise allowed under division (S)(9)(a) of this section shall be reduced to the extent the reimbursement is attributable to an amount the taxpayer or decedent deducted under this section in any taxable year.

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

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

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

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

(11) Add any amount claimed as a credit under section 5747.059 or 5747.65 of the Revised Code to the extent that the amount satisfies either of the following:

(a) The amount was deducted or excluded from the computation of the taxpayer's federal taxable income as required

to be reported for the taxpayer's taxable year under the 753
Internal Revenue Code; 754

(b) The amount resulted in a reduction in the taxpayer's 755
federal taxable income as required to be reported for any of the 756
taxpayer's taxable years under the Internal Revenue Code. 757

(12) Deduct any amount, net of related expenses deducted 758
in computing federal taxable income, that a trust is required to 759
report as farm income on its federal income tax return, but only 760
if the assets of the trust include at least ten acres of land 761
satisfying the definition of "land devoted exclusively to 762
agricultural use" under section 5713.30 of the Revised Code, 763
regardless of whether the land is valued for tax purposes as 764
such land under sections 5713.30 to 5713.38 of the Revised Code. 765
If the trust is a pass-through entity investor, section 5747.231 766
of the Revised Code applies in ascertaining if the trust is 767
eligible to claim the deduction provided by division (S)(12) of 768
this section in connection with the pass-through entity's farm 769
income. 770

Except for farm income attributable to the S portion of an 771
electing small business trust, the deduction provided by 772
division (S)(12) of this section is allowed only to the extent 773
that the trust has not distributed such farm income. Division 774
(S)(12) of this section applies only to taxable years of a trust 775
beginning in 2002 or thereafter. 776

(13) Add the net amount of income described in section 777
641(c) of the Internal Revenue Code to the extent that amount is 778
not included in federal taxable income. 779

(14) Add or deduct the amount the taxpayer would be 780
required to add or deduct under division (A)(20) or (21) of this 781

section if the taxpayer's Ohio taxable income were computed in 782
the same manner as an individual's Ohio adjusted gross income is 783
computed under this section. In the case of a trust, division 784
(S) (14) of this section applies only to any of the trust's 785
taxable years beginning in 2002 or thereafter. 786

(T) "School district income" and "school district income 787
tax" have the same meanings as in section 5748.01 of the Revised 788
Code. 789

(U) As used in divisions (A) (8), (A) (9), (S) (6), and (S) 790
(7) of this section, "public obligations," "purchase 791
obligations," and "interest or interest equivalent" have the 792
same meanings as in section 5709.76 of the Revised Code. 793

(V) "Limited liability company" means any limited 794
liability company formed under Chapter 1705. of the Revised Code 795
or under the laws of any other state. 796

(W) "Pass-through entity investor" means any person who, 797
during any portion of a taxable year of a pass-through entity, 798
is a partner, member, shareholder, or equity investor in that 799
pass-through entity. 800

(X) "Banking day" has the same meaning as in section 801
1304.01 of the Revised Code. 802

(Y) "Month" means a calendar month. 803

(Z) "Quarter" means the first three months, the second 804
three months, the third three months, or the last three months 805
of the taxpayer's taxable year. 806

(AA) (1) "Eligible institution" means a state university or 807
state institution of higher education as defined in section 808
3345.011 of the Revised Code, or a private, nonprofit college, 809

university, or other post-secondary institution located in this 810
state that possesses a certificate of authorization issued by 811
the chancellor of higher education pursuant to Chapter 1713. of 812
the Revised Code or a certificate of registration issued by the 813
state board of career colleges and schools under Chapter 3332. 814
of the Revised Code. 815

(2) "Qualified tuition and fees" means tuition and fees 816
imposed by an eligible institution as a condition of enrollment 817
or attendance, not exceeding two thousand five hundred dollars 818
in each of the individual's first two years of post-secondary 819
education. If the individual is a part-time student, "qualified 820
tuition and fees" includes tuition and fees paid for the 821
academic equivalent of the first two years of post-secondary 822
education during a maximum of five taxable years, not exceeding 823
a total of five thousand dollars. "Qualified tuition and fees" 824
does not include: 825

(a) Expenses for any course or activity involving sports, 826
games, or hobbies unless the course or activity is part of the 827
individual's degree or diploma program; 828

(b) The cost of books, room and board, student activity 829
fees, athletic fees, insurance expenses, or other expenses 830
unrelated to the individual's academic course of instruction; 831

(c) Tuition, fees, or other expenses paid or reimbursed 832
through an employer, scholarship, grant in aid, or other 833
educational benefit program. 834

(BB) (1) "Modified business income" means the business 835
income included in a trust's Ohio taxable income after such 836
taxable income is first reduced by the qualifying trust amount, 837
if any. 838

(2) "Qualifying trust amount" of a trust means capital 839
gains and losses from the sale, exchange, or other disposition 840
of equity or ownership interests in, or debt obligations of, a 841
qualifying investee to the extent included in the trust's Ohio 842
taxable income, but only if the following requirements are 843
satisfied: 844

(a) The book value of the qualifying investee's physical 845
assets in this state and everywhere, as of the last day of the 846
qualifying investee's fiscal or calendar year ending immediately 847
prior to the date on which the trust recognizes the gain or 848
loss, is available to the trust. 849

(b) The requirements of section 5747.011 of the Revised 850
Code are satisfied for the trust's taxable year in which the 851
trust recognizes the gain or loss. 852

Any gain or loss that is not a qualifying trust amount is 853
modified business income, qualifying investment income, or 854
modified nonbusiness income, as the case may be. 855

(3) "Modified nonbusiness income" means a trust's Ohio 856
taxable income other than modified business income, other than 857
the qualifying trust amount, and other than qualifying 858
investment income, as defined in section 5747.012 of the Revised 859
Code, to the extent such qualifying investment income is not 860
otherwise part of modified business income. 861

(4) "Modified Ohio taxable income" applies only to trusts, 862
and means the sum of the amounts described in divisions (BB) (4) 863
(a) to (c) of this section: 864

(a) The fraction, calculated under section 5747.013, and 865
applying section 5747.231 of the Revised Code, multiplied by the 866
sum of the following amounts: 867

(i) The trust's modified business income; 868

(ii) The trust's qualifying investment income, as defined 869
in section 5747.012 of the Revised Code, but only to the extent 870
the qualifying investment income does not otherwise constitute 871
modified business income and does not otherwise constitute a 872
qualifying trust amount. 873

(b) The qualifying trust amount multiplied by a fraction, 874
the numerator of which is the sum of the book value of the 875
qualifying investee's physical assets in this state on the last 876
day of the qualifying investee's fiscal or calendar year ending 877
immediately prior to the day on which the trust recognizes the 878
qualifying trust amount, and the denominator of which is the sum 879
of the book value of the qualifying investee's total physical 880
assets everywhere on the last day of the qualifying investee's 881
fiscal or calendar year ending immediately prior to the day on 882
which the trust recognizes the qualifying trust amount. If, for 883
a taxable year, the trust recognizes a qualifying trust amount 884
with respect to more than one qualifying investee, the amount 885
described in division (BB) (4) (b) of this section shall equal the 886
sum of the products so computed for each such qualifying 887
investee. 888

(c) (i) With respect to a trust or portion of a trust that 889
is a resident as ascertained in accordance with division (I) (3) 890
(d) of this section, its modified nonbusiness income. 891

(ii) With respect to a trust or portion of a trust that is 892
not a resident as ascertained in accordance with division (I) (3) 893
(d) of this section, the amount of its modified nonbusiness 894
income satisfying the descriptions in divisions (B) (2) to (5) of 895
section 5747.20 of the Revised Code, except as otherwise 896
provided in division (BB) (4) (c) (ii) of this section. With 897

respect to a trust or portion of a trust that is not a resident 898
as ascertained in accordance with division (I) (3) (d) of this 899
section, the trust's portion of modified nonbusiness income 900
recognized from the sale, exchange, or other disposition of a 901
debt interest in or equity interest in a section 5747.212 902
entity, as defined in section 5747.212 of the Revised Code, 903
without regard to division (A) of that section, shall not be 904
allocated to this state in accordance with section 5747.20 of 905
the Revised Code but shall be apportioned to this state in 906
accordance with division (B) of section 5747.212 of the Revised 907
Code without regard to division (A) of that section. 908

If the allocation and apportionment of a trust's income 909
under divisions (BB) (4) (a) and (c) of this section do not fairly 910
represent the modified Ohio taxable income of the trust in this 911
state, the alternative methods described in division (C) of 912
section 5747.21 of the Revised Code may be applied in the manner 913
and to the same extent provided in that section. 914

(5) (a) Except as set forth in division (BB) (5) (b) of this 915
section, "qualifying investee" means a person in which a trust 916
has an equity or ownership interest, or a person or unit of 917
government the debt obligations of either of which are owned by 918
a trust. For the purposes of division (BB) (2) (a) of this section 919
and for the purpose of computing the fraction described in 920
division (BB) (4) (b) of this section, all of the following apply: 921

(i) If the qualifying investee is a member of a qualifying 922
controlled group on the last day of the qualifying investee's 923
fiscal or calendar year ending immediately prior to the date on 924
which the trust recognizes the gain or loss, then "qualifying 925
investee" includes all persons in the qualifying controlled 926
group on such last day. 927

(ii) If the qualifying investee, or if the qualifying investee and any members of the qualifying controlled group of which the qualifying investee is a member on the last day of the qualifying investee's fiscal or calendar year ending immediately prior to the date on which the trust recognizes the gain or loss, separately or cumulatively own, directly or indirectly, on the last day of the qualifying investee's fiscal or calendar year ending immediately prior to the date on which the trust recognizes the qualifying trust amount, more than fifty per cent of the equity of a pass-through entity, then the qualifying investee and the other members are deemed to own the proportionate share of the pass-through entity's physical assets which the pass-through entity directly or indirectly owns on the last day of the pass-through entity's calendar or fiscal year ending within or with the last day of the qualifying investee's fiscal or calendar year ending immediately prior to the date on which the trust recognizes the qualifying trust amount.

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

An upper level pass-through entity, whether or not it is also a qualifying investee, is deemed to own, on the last day of the upper level pass-through entity's calendar or fiscal year, the proportionate share of the lower level pass-through entity's physical assets that the lower level pass-through entity directly or indirectly owns on the last day of the lower level pass-through entity's calendar or fiscal year ending within or with the last day of the upper level pass-through entity's fiscal or calendar year. If the upper level pass-through entity

directly and indirectly owns less than fifty per cent of the 959
equity of the lower level pass-through entity on each day of the 960
upper level pass-through entity's calendar or fiscal year in 961
which or with which ends the calendar or fiscal year of the 962
lower level pass-through entity and if, based upon clear and 963
convincing evidence, complete information about the location and 964
cost of the physical assets of the lower pass-through entity is 965
not available to the upper level pass-through entity, then 966
solely for purposes of ascertaining if a gain or loss 967
constitutes a qualifying trust amount, the upper level pass- 968
through entity shall be deemed as owning no equity of the lower 969
level pass-through entity for each day during the upper level 970
pass-through entity's calendar or fiscal year in which or with 971
which ends the lower level pass-through entity's calendar or 972
fiscal year. Nothing in division (BB) (5) (a) (iii) of this section 973
shall be construed to provide for any deduction or exclusion in 974
computing any trust's Ohio taxable income. 975

(b) With respect to a trust that is not a resident for the 976
taxable year and with respect to a part of a trust that is not a 977
resident for the taxable year, "qualifying investee" for that 978
taxable year does not include a C corporation if both of the 979
following apply: 980

(i) During the taxable year the trust or part of the trust 981
recognizes a gain or loss from the sale, exchange, or other 982
disposition of equity or ownership interests in, or debt 983
obligations of, the C corporation. 984

(ii) Such gain or loss constitutes nonbusiness income. 985

(6) "Available" means information is such that a person is 986
able to learn of the information by the due date plus 987
extensions, if any, for filing the return for the taxable year 988

in which the trust recognizes the gain or loss.	989
(CC) "Qualifying controlled group" has the same meaning as in section 5733.04 of the Revised Code.	990 991
(DD) "Related member" has the same meaning as in section 5733.042 of the Revised Code.	992 993
(EE) (1) For the purposes of division (EE) of this section:	994
(a) "Qualifying person" means any person other than a qualifying corporation.	995 996
(b) "Qualifying corporation" means any person classified for federal income tax purposes as an association taxable as a corporation, except either of the following:	997 998 999
(i) A corporation that has made an election under subchapter S, chapter one, subtitle A, of the Internal Revenue Code for its taxable year ending within, or on the last day of, the investor's taxable year;	1000 1001 1002 1003
(ii) A subsidiary that is wholly owned by any corporation that has made an election under subchapter S, chapter one, subtitle A of the Internal Revenue Code for its taxable year ending within, or on the last day of, the investor's taxable year.	1004 1005 1006 1007 1008
(2) For the purposes of this chapter, unless expressly stated otherwise, no qualifying person indirectly owns any asset directly or indirectly owned by any qualifying corporation.	1009 1010 1011
(FF) For purposes of this chapter and Chapter 5751. of the Revised Code:	1012 1013
(1) "Trust" does not include a qualified pre-income tax trust.	1014 1015

(2) A "qualified pre-income tax trust" is any pre-income tax trust that makes a qualifying pre-income tax trust election as described in division (FF)(3) of this section. 1016
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(3) A "qualifying pre-income tax trust election" is an election by a pre-income tax trust to subject to the tax imposed by section 5751.02 of the Revised Code the pre-income tax trust and all pass-through entities of which the trust owns or controls, directly, indirectly, or constructively through related interests, five per cent or more of the ownership or equity interests. The trustee shall notify the tax commissioner in writing of the election on or before April 15, 2006. The election, if timely made, shall be effective on and after January 1, 2006, and shall apply for all tax periods and tax years until revoked by the trustee of the trust. 1019
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(4) A "pre-income tax trust" is a trust that satisfies all of the following requirements: 1030
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(a) The document or instrument creating the trust was executed by the grantor before January 1, 1972; 1032
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(b) The trust became irrevocable upon the creation of the trust; and 1034
1035

(c) The grantor was domiciled in this state at the time the trust was created. 1036
1037

(GG) "Uniformed services" has the same meaning as in 10 U.S.C. 101. 1038
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(HH) "Taxable business income" means the amount by which an individual's business income that is included in federal adjusted gross income exceeds the amount of business income the individual is authorized to deduct under division (A)(31) of this section for the taxable year. 1040
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Sec. 5747.014. (A) As used in this section and division 1045
(A) (33) of section 5747.01 of the Revised Code: 1046

(1) "Legal aid society" and "indigent" have the same 1047
meanings as in section 120.51 of the Revised Code. 1048

(2) "Attorney" means a person who has been admitted to the 1049
bar by order of the Ohio supreme court. 1050

(3) "Law firm" means an association of attorneys who 1051
practice law together in a partnership, a professional 1052
corporation that has made an election under subchapter S of 1053
Chapter 1 of Subtitle A of the Internal Revenue Code for its 1054
taxable year under that code, a limited liability company, or 1055
any other association that is not classified for federal income 1056
tax purposes as an association taxed as a corporation under the 1057
Internal Revenue Code, or a sole proprietorship that employs 1058
attorneys. 1059

(4) "Qualified expenses" means reasonable expenses 1060
incurred by an attorney in performing pro bono legal services 1061
for indigent persons through or on behalf of a legal aid society 1062
in this state. Such expenses may include court costs, filing 1063
fees, costs associated with discovery, compensation of expert 1064
witnesses, lodging, meals, transportation, and any other expense 1065
directly attributable to the provision of such legal services. 1066

(B) Except as provided in division (C) of this section, an 1067
individual who is an attorney may deduct the following amounts 1068
in computing Ohio adjusted gross income for a taxable year 1069
beginning after December 31, 2016, and before January 1, 2023, 1070
to the extent such amounts are not compensated or reimbursed by 1071
another: 1072

(1) The product obtained by multiplying one hundred 1073

twenty-five dollars by the number of hours the attorney 1074
performed pro bono legal services for indigent persons through 1075
or on behalf of a legal aid society in this state during the 1076
taxable year, not to exceed ten thousand dollars; 1077

(2) The qualified expenses incurred by the attorney during 1078
the taxable year. 1079

(C) The equity owners of a law firm may claim the 1080
deductions described in divisions (B) (1) and (2) of this section 1081
for any amount by which the law firm compensated the attorney 1082
for the legal services or qualified expenses if the attorney who 1083
performed such services or incurred such expenses is an employee 1084
or equity owner of the law firm. The deductions may be allocated 1085
among the law firm's equity owners in proportion to their 1086
ownership interests or in such proportions or amounts as the 1087
equity owners mutually agree. An attorney may not claim a 1088
deduction under division (B) of this section for legal services 1089
or qualified expenses deducted by the equity owners of a law 1090
firm under this division. 1091

(D) An attorney or equity owner of a law firm that claims 1092
a deduction based on legal services performed for indigent 1093
clients under division (B) (1) or (C) of this section shall 1094
submit, along with the return required under section 5747.08 of 1095
the Revised Code, a written statement from the legal aid society 1096
confirming the number of hours the attorney performed such legal 1097
services. An attorney or equity owner of a law firm may not 1098
claim the deduction without first obtaining such a statement of 1099
confirmation. 1100

(E) The tax commissioner may adopt rules for the 1101
administration of this section including rules governing 1102
documents, records, or other information attorneys and equity 1103

owners of law firms claiming the deduction shall provide to the 1104
commissioner and rules further describing costs that may be 1105
deducted as qualifying expenses. 1106

Section 2. That existing section 5747.01 of the Revised 1107
Code is hereby repealed. 1108