

**As Introduced**

**127th General Assembly  
Regular Session  
2007-2008**

**H. B. No. 534**

**Representatives Adams, Collier**

**Cosponsors: Representatives Setzer, Wagner, Brinkman, Dolan, Huffman,  
Fessler, Zehringer, Goodwin, Bacon, Combs, Batchelder, Hottinger, Hite,  
Uecker, Wachtmann, Widowfield, Coley**

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**A B I L L**

To amend sections 5747.02 and 5747.41 of the Revised Code to phase out the personal income tax over ten years. 1  
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**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 5747.02 and 5747.41 of the Revised Code be amended to read as follows: 4  
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**Sec. 5747.02.** (A) For the purpose of providing revenue for the support of schools and local government functions, to provide relief to property taxpayers, to provide revenue for the general revenue fund, and to meet the expenses of administering the tax levied by this chapter, there is hereby levied on every individual, trust, and estate residing in or earning or receiving income in this state, on every individual, trust, and estate earning or receiving lottery winnings, prizes, or awards pursuant to Chapter 3770. of the Revised Code, and on every individual, trust, and estate otherwise having nexus with or in this state under the Constitution of the United States, an annual tax measured in the case of individuals by Ohio adjusted gross income 6  
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less an exemption for the taxpayer, the taxpayer's spouse, and 18  
each dependent as provided in section 5747.025 of the Revised 19  
Code; measured in the case of trusts by modified Ohio taxable 20  
income under division (D) of this section; and measured in the 21  
case of estates by Ohio taxable income. The tax imposed by this 22  
section on the balance thus obtained is hereby levied as follows: 23

(1) For taxable years beginning in 2004: 24

OHIO ADJUSTED GROSS INCOME LESS 25

EXEMPTIONS (INDIVIDUALS)

OR 26

MODIFIED OHIO 27

TAXABLE INCOME (TRUSTS) 28

OR 29

OHIO TAXABLE INCOME (ESTATES) TAX 30

\$5,000 or less .743% 31

More than \$5,000 but not more \$37.15 plus 1.486% of the amount 32  
than \$10,000 in excess of \$5,000

More than \$10,000 but not more \$111.45 plus 2.972% of the 33  
than \$15,000 amount in excess of \$10,000

More than \$15,000 but not more \$260.05 plus 3.715% of the 34  
than \$20,000 amount in excess of \$15,000

More than \$20,000 but not more \$445.80 plus 4.457% of the 35  
than \$40,000 amount in excess of \$20,000

More than \$40,000 but not more \$1,337.20 plus 5.201% of the 36  
than \$80,000 amount in excess of \$40,000

More than \$80,000 but not more \$3,417.60 plus 5.943% of the 37  
than \$100,000 amount in excess of \$80,000

More than \$100,000 but not more \$4,606.20 plus 6.9% of the 38  
than \$200,000 amount in excess of \$100,000

More than \$200,000 \$11,506.20 plus 7.5% of the 39  
amount in excess of \$200,000

(2) For taxable years beginning in 2005: 40

OHIO ADJUSTED GROSS INCOME LESS		41
EXEMPTIONS ( INDIVIDUALS )		
OR		42
MODIFIED OHIO		43
TAXABLE INCOME ( TRUSTS )		44
OR		45
OHIO TAXABLE INCOME ( ESTATES )	TAX	46
\$5,000 or less	.712%	47
More than \$5,000 but not more than \$10,000	\$35.60 plus 1.424% of the amount in excess of \$5,000	48
More than \$10,000 but not more than \$15,000	\$106.80 plus 2.847% of the amount in excess of \$10,000	49
More than \$15,000 but not more than \$20,000	\$249.15 plus 3.559% of the amount in excess of \$15,000	50
More than \$20,000 but not more than \$40,000	\$427.10 plus 4.27% of the amount in excess of \$20,000	51
More than \$40,000 but not more than \$80,000	\$1,281.10 plus 4.983% of the amount in excess of \$40,000	52
More than \$80,000 but not more than \$100,000	\$3,274.30 plus 5.693% of the amount in excess of \$80,000	53
More than \$100,000 but not more than \$200,000	\$4,412.90 plus 6.61% of the amount in excess of \$100,000	54
More than \$200,000	\$11,022.90 plus 7.185% of the amount in excess of \$200,000	55
(3) For taxable years beginning in 2006:		56
OHIO ADJUSTED GROSS INCOME LESS		57
EXEMPTIONS ( INDIVIDUALS )		
OR		58
MODIFIED OHIO		59
TAXABLE INCOME ( TRUSTS )		60
OR		61
OHIO TAXABLE INCOME ( ESTATES )	TAX	62
\$5,000 or less	.681%	63

More than \$5,000 but not more than \$10,000	\$34.05 plus 1.361% of the amount in excess of \$5,000	64
More than \$10,000 but not more than \$15,000	\$102.10 plus 2.722% of the amount in excess of \$10,000	65
More than \$15,000 but not more than \$20,000	\$238.20 plus 3.403% of the amount in excess of \$15,000	66
More than \$20,000 but not more than \$40,000	\$408.35 plus 4.083% of the amount in excess of \$20,000	67
More than \$40,000 but not more than \$80,000	\$1,224.95 plus 4.764% of the amount in excess of \$40,000	68
More than \$80,000 but not more than \$100,000	\$3,130.55 plus 5.444% of the amount in excess of \$80,000	69
More than \$100,000 but not more than \$200,000	\$4,219.35 plus 6.32% of the amount in excess of \$100,000	70
More than \$200,000	\$10,539.35 plus 6.87% of the amount in excess of \$200,000	71
(4) For taxable years beginning in 2007:		72
OHIO ADJUSTED GROSS INCOME LESS		73
EXEMPTIONS (INDIVIDUALS)		
OR		74
MODIFIED OHIO		75
TAXABLE INCOME (TRUSTS)		76
OR		77
OHIO TAXABLE INCOME (ESTATES)	TAX	78
\$5,000 or less	.649%	79
More than \$5,000 but not more than \$10,000	\$32.45 plus 1.299% of the amount in excess of \$5,000	80
More than \$10,000 but not more than \$15,000	\$97.40 plus 2.598% of the amount in excess of \$10,000	81
More than \$15,000 but not more than \$20,000	\$227.30 plus 3.247% of the amount in excess of \$15,000	82
More than \$20,000 but not more than \$40,000	\$389.65 plus 3.895% of the amount in excess of \$20,000	83

More than \$40,000 but not more than \$80,000	\$1,168.65 plus 4.546% of the amount in excess of \$40,000	84
More than \$80,000 but not more than \$100,000	\$2,987.05 plus 5.194% of the amount in excess of \$80,000	85
More than \$100,000 but not more than \$200,000	\$4,025.85 plus 6.031% of the amount in excess of \$100,000	86
More than \$200,000	\$10,056.85 plus 6.555% of the amount in excess of \$200,000	87
(5) For taxable years beginning in 2008:		88
OHIO ADJUSTED GROSS INCOME LESS		89
EXEMPTIONS (INDIVIDUALS)		
OR		90
MODIFIED OHIO		91
TAXABLE INCOME (TRUSTS)		92
OR		93
OHIO TAXABLE INCOME (ESTATES)	TAX	94
\$5,000 or less	.618%	95
More than \$5,000 but not more than \$10,000	\$30.90 plus 1.236% of the amount in excess of \$5,000	96
More than \$10,000 but not more than \$15,000	\$92.70 plus 2.473% of the amount in excess of \$10,000	97
More than \$15,000 but not more than \$20,000	\$216.35 plus 3.091% of the amount in excess of \$15,000	98
More than \$20,000 but not more than \$40,000	\$370.90 plus 3.708% of the amount in excess of \$20,000	99
More than \$40,000 but not more than \$80,000	\$1,112.50 plus 4.327% of the amount in excess of \$40,000	100
More than \$80,000 but not more than \$100,000	\$2,843.30 plus 4.945% of the amount in excess of \$80,000	101
More than \$100,000 but not more than \$200,000	\$3,832.30 plus 5.741% of the amount in excess of \$100,000	102
More than \$200,000	\$9,573.30 plus 6.24% of the amount in excess of \$200,000	103

(6) For taxable years beginning in 2009 <del>or thereafter:</del>	104	
OHIO ADJUSTED GROSS INCOME LESS	105	
EXEMPTIONS (INDIVIDUALS)		
OR	106	
MODIFIED OHIO	107	
TAXABLE INCOME (TRUSTS)	108	
OR	109	
OHIO TAXABLE INCOME (ESTATES)		
TAX	110	
\$5,000 or less	.587%	111
More than \$5,000 but not more than \$10,000	\$29.35 plus 1.174% of the amount in excess of \$5,000	112
More than \$10,000 but not more than \$15,000	\$88.05 plus 2.348% of the amount in excess of \$10,000	113
More than \$15,000 but not more than \$20,000	\$205.45 plus 2.935% of the amount in excess of \$15,000	114
More than \$20,000 but not more than \$40,000	\$352.20 plus 3.521% of the amount in excess of \$20,000	115
More than \$40,000 but not more than \$80,000	\$1,056.40 plus 4.109% of the amount in excess of \$40,000	116
More than \$80,000 but not more than \$100,000	\$2,700.00 plus 4.695% of the amount in excess of \$80,000	117
More than \$100,000 but not more than \$200,000	\$3,639.00 plus 5.451% of the amount in excess of \$100,000	118
More than \$200,000	\$9,090.00 plus 5.925% of the amount in excess of \$200,000	119
<del>In July of each year, beginning in 2010, the tax commissioner shall adjust the income amounts prescribed in this division by multiplying the percentage increase in the gross domestic product deflator computed that year under section 5747.025 of the Revised Code by each of the income amounts resulting from the adjustment under this division in the preceding year, adding the resulting product to the corresponding income amount resulting from the adjustment in the preceding year, and rounding the resulting sum</del>	120	
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~~to the nearest multiple of fifty dollars. The tax commissioner 128  
also shall recompute each of the tax dollar amounts to the extent 129  
necessary to reflect the adjustment of the income amounts. The 130  
rates of taxation shall not be adjusted. 131~~

~~The adjusted amounts apply to taxable years beginning in the 132  
calendar year in which the adjustments are made. The tax 133  
commissioner shall not make such adjustments in any year in which 134  
the amount resulting from the adjustment would be less than the 135  
amount resulting from the adjustment in the preceding year (7) For 136  
taxable years beginning in 2010 and thereafter, multiply the tax 137  
determined under division (A)(6) of this section, less all credits 138  
to which the taxpayer is entitled under this chapter, by the 139  
following: 140~~

<u>TAXABLE YEARS BEGINNING IN</u>	<u>PER CENT</u>	141
<u>2010</u>	<u>90%</u>	142
<u>2011</u>	<u>80%</u>	143
<u>2012</u>	<u>70%</u>	144
<u>2013</u>	<u>60%</u>	145
<u>2014</u>	<u>50%</u>	146
<u>2015</u>	<u>40%</u>	147
<u>2016</u>	<u>30%</u>	148
<u>2017</u>	<u>20%</u>	149
<u>2018</u>	<u>10%</u>	150
<u>2019 and thereafter</u>	<u>0%</u>	151

~~For the purpose of computing the amount of any credit that 152  
may be carried forward to an ensuing year under division (A)(7) of 153  
this section, a credit is utilized against the tax otherwise due 154  
for a taxable year to the extent the credit applies against the 155  
tax for that taxable year without regard to the percentage by 156  
which the tax due is multiplied under that division. 157~~

(B) If the director of budget and management makes a 158  
certification to the tax commissioner under division (B) of 159

section 131.44 of the Revised Code, the amount of tax as 160  
determined under division (A) of this section shall be reduced by 161  
the percentage prescribed in that certification for taxable years 162  
beginning in the calendar year in which that certification is 163  
made. 164

(C) The levy of this tax on income does not prevent a 165  
municipal corporation, a joint economic development zone created 166  
under section 715.691, or a joint economic development district 167  
created under section 715.70 or 715.71 or sections 715.72 to 168  
715.81 of the Revised Code from levying a tax on income. 169

(D) This division applies only to taxable years of a trust 170  
beginning in 2002 or thereafter. 171

(1) The tax imposed by this section on a trust shall be 172  
computed by multiplying the Ohio modified taxable income of the 173  
trust by the rates prescribed by division (A) of this section. 174

(2) A credit is allowed against the tax computed under 175  
division (D) of this section equal to the lesser of (1) the tax 176  
paid to another state or the District of Columbia on the trust's 177  
modified nonbusiness income, other than the portion of the trust's 178  
nonbusiness income that is qualifying investment income as defined 179  
in section 5747.012 of the Revised Code, or (2) the effective tax 180  
rate, based on modified Ohio taxable income, multiplied by the 181  
trust's modified nonbusiness income other than the portion of 182  
trust's nonbusiness income that is qualifying investment income. 183  
The credit applies before any other applicable credits. 184

(3) The credits enumerated in divisions (A)(1) to (13) of 185  
section 5747.98 of the Revised Code do not apply to a trust 186  
subject to this division. Any credits enumerated in other 187  
divisions of section 5747.98 of the Revised Code apply to a trust 188  
subject to this division. To the extent that the trust distributes 189  
income for the taxable year for which a credit is available to the 190



trust, the credit shall be shared by the trust and its 191  
beneficiaries. The tax commissioner and the trust shall be guided 192  
by applicable regulations of the United States treasury regarding 193  
the sharing of credits. 194

(E) For the purposes of this section, "trust" means any trust 195  
described in Subchapter J of Chapter 1 of the Internal Revenue 196  
Code, excluding trusts that are not irrevocable as defined in 197  
division (I)(3)(b) of section 5747.01 of the Revised Code and that 198  
have no modified Ohio taxable income for the taxable year, 199  
charitable remainder trusts, qualified funeral trusts and preneed 200  
funeral contract trusts established pursuant to section 1111.19 of 201  
the Revised Code that are not qualified funeral trusts, endowment 202  
and perpetual care trusts, qualified settlement trusts and funds, 203  
designated settlement trusts and funds, and trusts exempted from 204  
taxation under section 501(a) of the Internal Revenue Code. 205

**Sec. 5747.41.** For the same purposes for which the tax is 206  
levied under section 5747.02 of the Revised Code, there is hereby 207  
levied a withholding tax on every qualifying pass-through entity 208  
having at least one qualifying investor who is an individual and 209  
on every qualifying trust having at least one qualifying 210  
beneficiary who is an individual. The tax does not apply to a 211  
qualifying entity's qualifying taxable year ending after 2018. The 212  
withholding tax imposed by this section is imposed on the sum of 213  
the adjusted qualifying amounts of a qualifying pass-through 214  
entity's qualifying investors who are individuals and on the sum 215  
of the adjusted qualifying amounts of a qualifying trust's 216  
qualifying beneficiaries, at the rate of five per cent of that 217  
sum. 218

The tax imposed by this section applies only if the 219  
qualifying entity has nexus with this state under the Constitution 220  
of the United States for any portion of the qualifying entity's 221

qualifying taxable year, and the sum of the qualifying entity's 222  
adjusted qualifying amounts exceeds one thousand dollars for the 223  
qualifying entity's qualifying taxable year. 224

The levy of the tax under this section does not prevent a 225  
municipal corporation or a joint economic development district 226  
created under section 715.70 or 715.71 or sections 715.72 to 227  
715.81 of the Revised Code from levying a tax on income. 228

**Section 2.** That existing sections 5747.02 and 5747.41 of the 229  
Revised Code are hereby repealed. 230