

As Introduced

**129th General Assembly
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H. B. No. 111

Representative Williams

**Cosponsors: Representatives Goyal, Antonio, Driehaus, Pillich, Reece,
Fende, Gentile**

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A B I L L

To amend section 5747.01 and to enact section 1
5747.014 of the Revised Code to authorize an 2
income tax deduction for small business owners' 3
reinvestment of undistributed profits in business 4
property, employee training, or research and 5
development. 6

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

Section 1. That section 5747.01 be amended and section 7
5747.014 of the Revised Code be enacted to read as follows: 8

Sec. 5747.01. Except as otherwise expressly provided or 9
clearly appearing from the context, any term used in this chapter 10
that is not otherwise defined in this section has the same meaning 11
as when used in a comparable context in the laws of the United 12
States relating to federal income taxes or if not used in a 13
comparable context in those laws, has the same meaning as in 14
section 5733.40 of the Revised Code. Any reference in this chapter 15
to the Internal Revenue Code includes other laws of the United 16
States relating to federal income taxes. 17

As used in this chapter: 18

(A) "Adjusted gross income" or "Ohio adjusted gross income"	19
means federal adjusted gross income, as defined and used in the	20
Internal Revenue Code, adjusted as provided in this section:	21
(1) Add interest or dividends on obligations or securities of	22
any state or of any political subdivision or authority of any	23
state, other than this state and its subdivisions and authorities.	24
(2) Add interest or dividends on obligations of any	25
authority, commission, instrumentality, territory, or possession	26
of the United States to the extent that the interest or dividends	27
are exempt from federal income taxes but not from state income	28
taxes.	29
(3) Deduct interest or dividends on obligations of the United	30
States and its territories and possessions or of any authority,	31
commission, or instrumentality of the United States to the extent	32
that the interest or dividends are included in federal adjusted	33
gross income but exempt from state income taxes under the laws of	34
the United States.	35
(4) Deduct disability and survivor's benefits to the extent	36
included in federal adjusted gross income.	37
(5) Deduct benefits under Title II of the Social Security Act	38
and tier 1 railroad retirement benefits to the extent included in	39
federal adjusted gross income under section 86 of the Internal	40
Revenue Code.	41
(6) In the case of a taxpayer who is a beneficiary of a trust	42
that makes an accumulation distribution as defined in section 665	43
of the Internal Revenue Code, add, for the beneficiary's taxable	44
years beginning before 2002, the portion, if any, of such	45
distribution that does not exceed the undistributed net income of	46
the trust for the three taxable years preceding the taxable year	47
in which the distribution is made to the extent that the portion	48
was not included in the trust's taxable income for any of the	49

trust's taxable years beginning in 2002 or thereafter. 50

"Undistributed net income of a trust" means the taxable income of 51
the trust increased by (a)(i) the additions to adjusted gross 52
income required under division (A) of this section and (ii) the 53
personal exemptions allowed to the trust pursuant to section 54
642(b) of the Internal Revenue Code, and decreased by (b)(i) the 55
deductions to adjusted gross income required under division (A) of 56
this section, (ii) the amount of federal income taxes attributable 57
to such income, and (iii) the amount of taxable income that has 58
been included in the adjusted gross income of a beneficiary by 59
reason of a prior accumulation distribution. Any undistributed net 60
income included in the adjusted gross income of a beneficiary 61
shall reduce the undistributed net income of the trust commencing 62
with the earliest years of the accumulation period. 63

(7) Deduct the amount of wages and salaries, if any, not 64
otherwise allowable as a deduction but that would have been 65
allowable as a deduction in computing federal adjusted gross 66
income for the taxable year, had the targeted jobs credit allowed 67
and determined under sections 38, 51, and 52 of the Internal 68
Revenue Code not been in effect. 69

(8) Deduct any interest or interest equivalent on public 70
obligations and purchase obligations to the extent that the 71
interest or interest equivalent is included in federal adjusted 72
gross income. 73

(9) Add any loss or deduct any gain resulting from the sale, 74
exchange, or other disposition of public obligations to the extent 75
that the loss has been deducted or the gain has been included in 76
computing federal adjusted gross income. 77

(10) Deduct or add amounts, as provided under section 5747.70 78
of the Revised Code, related to contributions to variable college 79
savings program accounts made or tuition units purchased pursuant 80
to Chapter 3334. of the Revised Code. 81

(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.

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

(c) Deduct, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income, any amount included in federal adjusted gross income under section 105 or not excluded under section 106 of the Internal Revenue Code solely because it relates to an accident and health plan for a person who otherwise would be a "qualifying relative" and thus a "dependent"

under section 152 of the Internal Revenue Code but for the fact 114
that the person fails to meet the income and support limitations 115
under section 152(d)(1)(B) and (C) of the Internal Revenue Code. 116

(d) For purposes of division (A)(11) of this section, 117
"medical care" has the meaning given in section 213 of the 118
Internal Revenue Code, subject to the special rules, limitations, 119
and exclusions set forth therein, and "qualified long-term care" 120
has the same meaning given in section 7702B(c) of the Internal 121
Revenue Code. Solely for purposes of divisions (A)(11)(a) and (c) 122
of this section, "dependent" includes a person who otherwise would 123
be a "qualifying relative" and thus a "dependent" under section 124
152 of the Internal Revenue Code but for the fact that the person 125
fails to meet the income and support limitations under section 126
152(d)(1)(B) and (C) of the Internal Revenue Code. 127

(12)(a) Deduct any amount included in federal adjusted gross 128
income solely because the amount represents a reimbursement or 129
refund of expenses that in any year the taxpayer had deducted as 130
an itemized deduction pursuant to section 63 of the Internal 131
Revenue Code and applicable United States department of the 132
treasury regulations. The deduction otherwise allowed under 133
division (A)(12)(a) of this section shall be reduced to the extent 134
the reimbursement is attributable to an amount the taxpayer 135
deducted under this section in any taxable year. 136

(b) Add any amount not otherwise included in Ohio adjusted 137
gross income for any taxable year to the extent that the amount is 138
attributable to the recovery during the taxable year of any amount 139
deducted or excluded in computing federal or Ohio adjusted gross 140
income in any taxable year. 141

(13) Deduct any portion of the deduction described in section 142
1341(a)(2) of the Internal Revenue Code, for repaying previously 143
reported income received under a claim of right, that meets both 144
of the following requirements: 145

(a) It is allowable for repayment of an item that was 146
included in the taxpayer's adjusted gross income for a prior 147
taxable year and did not qualify for a credit under division (A) 148
or (B) of section 5747.05 of the Revised Code for that year; 149

(b) It does not otherwise reduce the taxpayer's adjusted 150
gross income for the current or any other taxable year. 151

(14) Deduct an amount equal to the deposits made to, and net 152
investment earnings of, a medical savings account during the 153
taxable year, in accordance with section 3924.66 of the Revised 154
Code. The deduction allowed by division (A)(14) of this section 155
does not apply to medical savings account deposits and earnings 156
otherwise deducted or excluded for the current or any other 157
taxable year from the taxpayer's federal adjusted gross income. 158

(15)(a) Add an amount equal to the funds withdrawn from a 159
medical savings account during the taxable year, and the net 160
investment earnings on those funds, when the funds withdrawn were 161
used for any purpose other than to reimburse an account holder 162
for, or to pay, eligible medical expenses, in accordance with 163
section 3924.66 of the Revised Code; 164

(b) Add the amounts distributed from a medical savings 165
account under division (A)(2) of section 3924.68 of the Revised 166
Code during the taxable year. 167

(16) Add any amount claimed as a credit under section 168
5747.059 of the Revised Code to the extent that such amount 169
satisfies either of the following: 170

(a) The amount was deducted or excluded from the computation 171
of the taxpayer's federal adjusted gross income as required to be 172
reported for the taxpayer's taxable year under the Internal 173
Revenue Code; 174

(b) The amount resulted in a reduction of the taxpayer's 175
federal adjusted gross income as required to be reported for any 176

of the taxpayer's taxable years under the Internal Revenue Code. 177

(17) Deduct the amount contributed by the taxpayer to an 178
individual development account program established by a county 179
department of job and family services pursuant to sections 329.11 180
to 329.14 of the Revised Code for the purpose of matching funds 181
deposited by program participants. On request of the tax 182
commissioner, the taxpayer shall provide any information that, in 183
the tax commissioner's opinion, is necessary to establish the 184
amount deducted under division (A)(17) of this section. 185

(18) Beginning in taxable year 2001 but not for any taxable 186
year beginning after December 31, 2005, if the taxpayer is married 187
and files a joint return and the combined federal adjusted gross 188
income of the taxpayer and the taxpayer's spouse for the taxable 189
year does not exceed one hundred thousand dollars, or if the 190
taxpayer is single and has a federal adjusted gross income for the 191
taxable year not exceeding fifty thousand dollars, deduct amounts 192
paid during the taxable year for qualified tuition and fees paid 193
to an eligible institution for the taxpayer, the taxpayer's 194
spouse, or any dependent of the taxpayer, who is a resident of 195
this state and is enrolled in or attending a program that 196
culminates in a degree or diploma at an eligible institution. The 197
deduction may be claimed only to the extent that qualified tuition 198
and fees are not otherwise deducted or excluded for any taxable 199
year from federal or Ohio adjusted gross income. The deduction may 200
not be claimed for educational expenses for which the taxpayer 201
claims a credit under section 5747.27 of the Revised Code. 202

(19) Add any reimbursement received during the taxable year 203
of any amount the taxpayer deducted under division (A)(18) of this 204
section in any previous taxable year to the extent the amount is 205
not otherwise included in Ohio adjusted gross income. 206

(20)(a)(i) Add five-sixths of the amount of depreciation 207
expense allowed by subsection (k) of section 168 of the Internal 208

Revenue Code, including the taxpayer's proportionate or 209
distributive share of the amount of depreciation expense allowed 210
by that subsection to a pass-through entity in which the taxpayer 211
has a direct or indirect ownership interest. 212

(ii) Add five-sixths of the amount of qualifying section 179 213
depreciation expense, including a person's proportionate or 214
distributive share of the amount of qualifying section 179 215
depreciation expense allowed to any pass-through entity in which 216
the person has a direct or indirect ownership. For the purposes of 217
this division, "qualifying section 179 depreciation expense" means 218
the difference between (I) the amount of depreciation expense 219
directly or indirectly allowed to the taxpayer under section 179 220
of the Internal Revenue Code, and (II) the amount of depreciation 221
expense directly or indirectly allowed to the taxpayer under 222
section 179 of the Internal Revenue Code as that section existed 223
on December 31, 2002. 224

The tax commissioner, under procedures established by the 225
commissioner, may waive the add-backs related to a pass-through 226
entity if the taxpayer owns, directly or indirectly, less than 227
five per cent of the pass-through entity. 228

(b) Nothing in division (A)(20) of this section shall be 229
construed to adjust or modify the adjusted basis of any asset. 230

(c) To the extent the add-back required under division 231
(A)(20)(a) of this section is attributable to property generating 232
nonbusiness income or loss allocated under section 5747.20 of the 233
Revised Code, the add-back shall be situated to the same location 234
as the nonbusiness income or loss generated by the property for 235
the purpose of determining the credit under division (A) of 236
section 5747.05 of the Revised Code. Otherwise, the add-back shall 237
be apportioned, subject to one or more of the four alternative 238
methods of apportionment enumerated in section 5747.21 of the 239
Revised Code. 240

(d) For the purposes of division (A) of this section, net operating loss carryback and carryforward shall not include five-sixths of the allowance of any net operating loss deduction carryback or carryforward to the taxable year to the extent such loss resulted from depreciation allowed by section 168(k) of the Internal Revenue Code and by the qualifying section 179 depreciation expense amount.

(21)(a) If the taxpayer was required to add an amount under division (A)(20)(a) of this section for a taxable year, deduct one-fifth of the amount so added for each of the five succeeding taxable years.

(b) If the amount deducted under division (A)(21)(a) of this section is attributable to an add-back allocated under division (A)(20)(c) of this section, the amount deducted shall be situated to the same location. Otherwise, the add-back shall be apportioned using the apportionment factors for the taxable year in which the deduction is taken, subject to one or more of the four alternative methods of apportionment enumerated in section 5747.21 of the Revised Code.

(c) No deduction is available under division (A)(21)(a) of this section with regard to any depreciation allowed by section 168(k) of the Internal Revenue Code and by the qualifying section 179 depreciation expense amount to the extent that such depreciation resulted in or increased a federal net operating loss carryback or carryforward to a taxable year to which division (A)(20)(d) of this section does not apply.

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

(23) Deduct, to the extent not otherwise deducted or excluded 272
in computing federal or Ohio adjusted gross income for the taxable 273
year, the amount the taxpayer received during the taxable year as 274
a death benefit paid by the adjutant general under section 5919.33 275
of the Revised Code. 276

(24) Deduct, to the extent included in federal adjusted gross 277
income and not otherwise allowable as a deduction or exclusion in 278
computing federal or Ohio adjusted gross income for the taxable 279
year, military pay and allowances received by the taxpayer during 280
the taxable year for active duty service in the United States 281
army, air force, navy, marine corps, or coast guard or reserve 282
components thereof or the national guard. The deduction may not be 283
claimed for military pay and allowances received by the taxpayer 284
while the taxpayer is stationed in this state. 285

(25) Deduct, to the extent not otherwise allowable as a 286
deduction or exclusion in computing federal or Ohio adjusted gross 287
income for the taxable year and not otherwise compensated for by 288
any other source, the amount of qualified organ donation expenses 289
incurred by the taxpayer during the taxable year, not to exceed 290
ten thousand dollars. A taxpayer may deduct qualified organ 291
donation expenses only once for all taxable years beginning with 292
taxable years beginning in 2007. 293

For the purposes of division (A)(25) of this section: 294

(a) "Human organ" means all or any portion of a human liver, 295
pancreas, kidney, intestine, or lung, and any portion of human 296
bone marrow. 297

(b) "Qualified organ donation expenses" means travel 298
expenses, lodging expenses, and wages and salary forgone by a 299
taxpayer in connection with the taxpayer's donation, while living, 300
of one or more of the taxpayer's human organs to another human 301
being. 302

(26) Deduct, to the extent not otherwise deducted or excluded 303
in computing federal or Ohio adjusted gross income for the taxable 304
year, amounts received by the taxpayer as retired military 305
personnel pay for service in the United States army, navy, air 306
force, coast guard, or marine corps or reserve components thereof, 307
or the national guard, or received by the surviving spouse or 308
former spouse of such a taxpayer under the survivor benefit plan 309
on account of such a taxpayer's death. If the taxpayer receives 310
income on account of retirement paid under the federal civil 311
service retirement system or federal employees retirement system, 312
or under any successor retirement program enacted by the congress 313
of the United States that is established and maintained for 314
retired employees of the United States government, and such 315
retirement income is based, in whole or in part, on credit for the 316
taxpayer's military service, the deduction allowed under this 317
division shall include only that portion of such retirement income 318
that is attributable to the taxpayer's military service, to the 319
extent that portion of such retirement income is otherwise 320
included in federal adjusted gross income and is not otherwise 321
deducted under this section. Any amount deducted under division 322
(A)(26) of this section is not included in a taxpayer's adjusted 323
gross income for the purposes of section 5747.055 of the Revised 324
Code. No amount may be deducted under division (A)(26) of this 325
section on the basis of which a credit was claimed under section 326
5747.055 of the Revised Code. 327

(27) Deduct, to the extent not otherwise deducted or excluded 328
in computing federal or Ohio adjusted gross income for the taxable 329
year, the amount the taxpayer received during the taxable year 330
from the military injury relief fund created in section 5101.98 of 331
the Revised Code. 332

(28) Deduct, to the extent not otherwise deducted or excluded 333
in computing federal or Ohio adjusted gross income for the taxable 334

year, the amount the taxpayer received as a veterans bonus during 335
the taxable year from the Ohio department of veterans services as 336
authorized by Section 2r of Article VIII, Ohio Constitution. 337

(29) Deduct, to the extent not otherwise deducted or excluded 338
in computing federal or Ohio adjusted gross income for the taxable 339
year, any loss from wagering transactions that is allowed as an 340
itemized deduction under section 165 of the Internal Revenue Code 341
and that the taxpayer deducted in computing federal taxable 342
income. 343

(30) Terms used in division (A)(30) of this section have the 344
meanings as in section 5747.014 of the Revised Code. 345

(a) In the case of a taxpayer who is an equity owner in an 346
eligible small business on the last day of the business' taxable 347
year, deduct an amount equal to the taxpayer's distributive or 348
proportionate share of the business' undistributed profit for the 349
business' taxable year that ends in the taxpayer's taxable year. 350
The amount deducted shall not exceed an amount equal to the 351
taxpayer's distributive or proportionate share of five per cent of 352
the business' gross income. 353

(b) In the case of a taxpayer who deducted any amount under 354
division (A)(30)(a) of this section for a prior taxable year, add 355
an amount equal to the taxpayer's distributive or proportionate 356
share of the excess, if any, of (i) the business' undistributed 357
profit for the business' qualifying taxable year that ended in 358
that prior taxable year over (ii) the increase in the business' 359
reinvestment expenditures from that qualifying taxable year to the 360
business' succeeding taxable year. The addition shall be made only 361
once for each of a taxpayer's taxable years for which the taxpayer 362
claimed a deduction under division (A)(30)(a) of this section, and 363
shall not exceed the amount deducted under that division. 364

(B) "Business income" means income, including gain or loss, 365

arising from transactions, activities, and sources in the regular 366
course of a trade or business and includes income, gain, or loss 367
from real property, tangible property, and intangible property if 368
the acquisition, rental, management, and disposition of the 369
property constitute integral parts of the regular course of a 370
trade or business operation. "Business income" includes income, 371
including gain or loss, from a partial or complete liquidation of 372
a business, including, but not limited to, gain or loss from the 373
sale or other disposition of goodwill. 374

(C) "Nonbusiness income" means all income other than business 375
income and may include, but is not limited to, compensation, rents 376
and royalties from real or tangible personal property, capital 377
gains, interest, dividends and distributions, patent or copyright 378
royalties, or lottery winnings, prizes, and awards. 379

(D) "Compensation" means any form of remuneration paid to an 380
employee for personal services. 381

(E) "Fiduciary" means a guardian, trustee, executor, 382
administrator, receiver, conservator, or any other person acting 383
in any fiduciary capacity for any individual, trust, or estate. 384

(F) "Fiscal year" means an accounting period of twelve months 385
ending on the last day of any month other than December. 386

(G) "Individual" means any natural person. 387

(H) "Internal Revenue Code" means the "Internal Revenue Code 388
of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended. 389

(I) "Resident" means any of the following, provided that 390
division (I)(3) of this section applies only to taxable years of a 391
trust beginning in 2002 or thereafter: 392

(1) An individual who is domiciled in this state, subject to 393
section 5747.24 of the Revised Code; 394

(2) The estate of a decedent who at the time of death was 395

domiciled in this state. The domicile tests of section 5747.24 of 396
the Revised Code are not controlling for purposes of division 397
(I)(2) of this section. 398

(3) A trust that, in whole or part, resides in this state. If 399
only part of a trust resides in this state, the trust is a 400
resident only with respect to that part. 401

For the purposes of division (I)(3) of this section: 402

(a) A trust resides in this state for the trust's current 403
taxable year to the extent, as described in division (I)(3)(d) of 404
this section, that the trust consists directly or indirectly, in 405
whole or in part, of assets, net of any related liabilities, that 406
were transferred, or caused to be transferred, directly or 407
indirectly, to the trust by any of the following: 408

(i) A person, a court, or a governmental entity or 409
instrumentality on account of the death of a decedent, but only if 410
the trust is described in division (I)(3)(e)(i) or (ii) of this 411
section; 412

(ii) A person who was domiciled in this state for the 413
purposes of this chapter when the person directly or indirectly 414
transferred assets to an irrevocable trust, but only if at least 415
one of the trust's qualifying beneficiaries is domiciled in this 416
state for the purposes of this chapter during all or some portion 417
of the trust's current taxable year; 418

(iii) A person who was domiciled in this state for the 419
purposes of this chapter when the trust document or instrument or 420
part of the trust document or instrument became irrevocable, but 421
only if at least one of the trust's qualifying beneficiaries is a 422
resident domiciled in this state for the purposes of this chapter 423
during all or some portion of the trust's current taxable year. If 424
a trust document or instrument became irrevocable upon the death 425
of a person who at the time of death was domiciled in this state 426

for purposes of this chapter, that person is a person described in 427
division (I)(3)(a)(iii) of this section. 428

(b) A trust is irrevocable to the extent that the transferor 429
is not considered to be the owner of the net assets of the trust 430
under sections 671 to 678 of the Internal Revenue Code. 431

(c) With respect to a trust other than a charitable lead 432
trust, "qualifying beneficiary" has the same meaning as "potential 433
current beneficiary" as defined in section 1361(e)(2) of the 434
Internal Revenue Code, and with respect to a charitable lead trust 435
"qualifying beneficiary" is any current, future, or contingent 436
beneficiary, but with respect to any trust "qualifying 437
beneficiary" excludes a person or a governmental entity or 438
instrumentality to any of which a contribution would qualify for 439
the charitable deduction under section 170 of the Internal Revenue 440
Code. 441

(d) For the purposes of division (I)(3)(a) of this section, 442
the extent to which a trust consists directly or indirectly, in 443
whole or in part, of assets, net of any related liabilities, that 444
were transferred directly or indirectly, in whole or part, to the 445
trust by any of the sources enumerated in that division shall be 446
ascertained by multiplying the fair market value of the trust's 447
assets, net of related liabilities, by the qualifying ratio, which 448
shall be computed as follows: 449

(i) The first time the trust receives assets, the numerator 450
of the qualifying ratio is the fair market value of those assets 451
at that time, net of any related liabilities, from sources 452
enumerated in division (I)(3)(a) of this section. The denominator 453
of the qualifying ratio is the fair market value of all the 454
trust's assets at that time, net of any related liabilities. 455

(ii) Each subsequent time the trust receives assets, a 456
revised qualifying ratio shall be computed. The numerator of the 457

revised qualifying ratio is the sum of (1) the fair market value 458
of the trust's assets immediately prior to the subsequent 459
transfer, net of any related liabilities, multiplied by the 460
qualifying ratio last computed without regard to the subsequent 461
transfer, and (2) the fair market value of the subsequently 462
transferred assets at the time transferred, net of any related 463
liabilities, from sources enumerated in division (I)(3)(a) of this 464
section. The denominator of the revised qualifying ratio is the 465
fair market value of all the trust's assets immediately after the 466
subsequent transfer, net of any related liabilities. 467

(iii) Whether a transfer to the trust is by or from any of 468
the sources enumerated in division (I)(3)(a) of this section shall 469
be ascertained without regard to the domicile of the trust's 470
beneficiaries. 471

(e) For the purposes of division (I)(3)(a)(i) of this 472
section: 473

(i) A trust is described in division (I)(3)(e)(i) of this 474
section if the trust is a testamentary trust and the testator of 475
that testamentary trust was domiciled in this state at the time of 476
the testator's death for purposes of the taxes levied under 477
Chapter 5731. of the Revised Code. 478

(ii) A trust is described in division (I)(3)(e)(ii) of this 479
section if the transfer is a qualifying transfer described in any 480
of divisions (I)(3)(f)(i) to (vi) of this section, the trust is an 481
irrevocable inter vivos trust, and at least one of the trust's 482
qualifying beneficiaries is domiciled in this state for purposes 483
of this chapter during all or some portion of the trust's current 484
taxable year. 485

(f) For the purposes of division (I)(3)(e)(ii) of this 486
section, a "qualifying transfer" is a transfer of assets, net of 487
any related liabilities, directly or indirectly to a trust, if the 488

transfer is described in any of the following: 489

(i) The transfer is made to a trust, created by the decedent 490
before the decedent's death and while the decedent was domiciled 491
in this state for the purposes of this chapter, and, prior to the 492
death of the decedent, the trust became irrevocable while the 493
decedent was domiciled in this state for the purposes of this 494
chapter. 495

(ii) The transfer is made to a trust to which the decedent, 496
prior to the decedent's death, had directly or indirectly 497
transferred assets, net of any related liabilities, while the 498
decedent was domiciled in this state for the purposes of this 499
chapter, and prior to the death of the decedent the trust became 500
irrevocable while the decedent was domiciled in this state for the 501
purposes of this chapter. 502

(iii) The transfer is made on account of a contractual 503
relationship existing directly or indirectly between the 504
transferor and either the decedent or the estate of the decedent 505
at any time prior to the date of the decedent's death, and the 506
decedent was domiciled in this state at the time of death for 507
purposes of the taxes levied under Chapter 5731. of the Revised 508
Code. 509

(iv) The transfer is made to a trust on account of a 510
contractual relationship existing directly or indirectly between 511
the transferor and another person who at the time of the 512
decedent's death was domiciled in this state for purposes of this 513
chapter. 514

(v) The transfer is made to a trust on account of the will of 515
a testator who was domiciled in this state at the time of the 516
testator's death for purposes of the taxes levied under Chapter 517
5731. of the Revised Code. 518

(vi) The transfer is made to a trust created by or caused to 519

be created by a court, and the trust was directly or indirectly 520
created in connection with or as a result of the death of an 521
individual who, for purposes of the taxes levied under Chapter 522
5731. of the Revised Code, was domiciled in this state at the time 523
of the individual's death. 524

(g) The tax commissioner may adopt rules to ascertain the 525
part of a trust residing in this state. 526

(J) "Nonresident" means an individual or estate that is not a 527
resident. An individual who is a resident for only part of a 528
taxable year is a nonresident for the remainder of that taxable 529
year. 530

(K) "Pass-through entity" has the same meaning as in section 531
5733.04 of the Revised Code. 532

(L) "Return" means the notifications and reports required to 533
be filed pursuant to this chapter for the purpose of reporting the 534
tax due and includes declarations of estimated tax when so 535
required. 536

(M) "Taxable year" means the calendar year or the taxpayer's 537
fiscal year ending during the calendar year, or fractional part 538
thereof, upon which the adjusted gross income is calculated 539
pursuant to this chapter. 540

(N) "Taxpayer" means any person subject to the tax imposed by 541
section 5747.02 of the Revised Code or any pass-through entity 542
that makes the election under division (D) of section 5747.08 of 543
the Revised Code. 544

(O) "Dependents" means dependents as defined in the Internal 545
Revenue Code and as claimed in the taxpayer's federal income tax 546
return for the taxable year or which the taxpayer would have been 547
permitted to claim had the taxpayer filed a federal income tax 548
return. 549

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

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

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

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

(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.	580
(2) Add interest or dividends, net of ordinary, necessary,	581
and reasonable expenses not deducted in computing federal taxable	582
income, on obligations of any authority, commission,	583
instrumentality, territory, or possession of the United States to	584
the extent that the interest or dividends are exempt from federal	585
income taxes but not from state income taxes, but only to the	586
extent that such net amount is not otherwise includible in Ohio	587
taxable income and is described in either division (S)(1)(a) or	588
(b) of this section;	589
(3) Add the amount of personal exemption allowed to the	590
estate pursuant to section 642(b) of the Internal Revenue Code;	591
(4) Deduct interest or dividends, net of related expenses	592
deducted in computing federal taxable income, on obligations of	593
the United States and its territories and possessions or of any	594
authority, commission, or instrumentality of the United States to	595
the extent that the interest or dividends are exempt from state	596
taxes under the laws of the United States, but only to the extent	597
that such amount is included in federal taxable income and is	598
described in either division (S)(1)(a) or (b) of this section;	599
(5) Deduct the amount of wages and salaries, if any, not	600
otherwise allowable as a deduction but that would have been	601
allowable as a deduction in computing federal taxable income for	602
the taxable year, had the targeted jobs credit allowed under	603
sections 38, 51, and 52 of the Internal Revenue Code not been in	604
effect, but only to the extent such amount relates either to	605
income included in federal taxable income for the taxable year or	606
to income of the S portion of an electing small business trust for	607
the taxable year;	608
(6) Deduct any interest or interest equivalent, net of	609
related expenses deducted in computing federal taxable income, on	610

public obligations and purchase obligations, but only to the 611
extent that such net amount relates either to income included in 612
federal taxable income for the taxable year or to income of the S 613
portion of an electing small business trust for the taxable year; 614

(7) Add any loss or deduct any gain resulting from sale, 615
exchange, or other disposition of public obligations to the extent 616
that such loss has been deducted or such gain has been included in 617
computing either federal taxable income or income of the S portion 618
of an electing small business trust for the taxable year; 619

(8) Except in the case of the final return of an estate, add 620
any amount deducted by the taxpayer on both its Ohio estate tax 621
return pursuant to section 5731.14 of the Revised Code, and on its 622
federal income tax return in determining federal taxable income; 623

(9)(a) Deduct any amount included in federal taxable income 624
solely because the amount represents a reimbursement or refund of 625
expenses that in a previous year the decedent had deducted as an 626
itemized deduction pursuant to section 63 of the Internal Revenue 627
Code and applicable treasury regulations. The deduction otherwise 628
allowed under division (S)(9)(a) of this section shall be reduced 629
to the extent the reimbursement is attributable to an amount the 630
taxpayer or decedent deducted under this section in any taxable 631
year. 632

(b) Add any amount not otherwise included in Ohio taxable 633
income for any taxable year to the extent that the amount is 634
attributable to the recovery during the taxable year of any amount 635
deducted or excluded in computing federal or Ohio taxable income 636
in any taxable year, but only to the extent such amount has not 637
been distributed to beneficiaries for the taxable year. 638

(10) Deduct any portion of the deduction described in section 639
1341(a)(2) of the Internal Revenue Code, for repaying previously 640
reported income received under a claim of right, that meets both 641

of the following requirements: 642

(a) It is allowable for repayment of an item that was 643
included in the taxpayer's taxable income or the decedent's 644
adjusted gross income for a prior taxable year and did not qualify 645
for a credit under division (A) or (B) of section 5747.05 of the 646
Revised Code for that year. 647

(b) It does not otherwise reduce the taxpayer's taxable 648
income or the decedent's adjusted gross income for the current or 649
any other taxable year. 650

(11) Add any amount claimed as a credit under section 651
5747.059 of the Revised Code to the extent that the amount 652
satisfies either of the following: 653

(a) The amount was deducted or excluded from the computation 654
of the taxpayer's federal taxable income as required to be 655
reported for the taxpayer's taxable year under the Internal 656
Revenue Code; 657

(b) The amount resulted in a reduction in the taxpayer's 658
federal taxable income as required to be reported for any of the 659
taxpayer's taxable years under the Internal Revenue Code. 660

(12) Deduct any amount, net of related expenses deducted in 661
computing federal taxable income, that a trust is required to 662
report as farm income on its federal income tax return, but only 663
if the assets of the trust include at least ten acres of land 664
satisfying the definition of "land devoted exclusively to 665
agricultural use" under section 5713.30 of the Revised Code, 666
regardless of whether the land is valued for tax purposes as such 667
land under sections 5713.30 to 5713.38 of the Revised Code. If the 668
trust is a pass-through entity investor, section 5747.231 of the 669
Revised Code applies in ascertaining if the trust is eligible to 670
claim the deduction provided by division (S)(12) of this section 671
in connection with the pass-through entity's farm income. 672

Except for farm income attributable to the S portion of an 673
electing small business trust, the deduction provided by division 674
(S)(12) of this section is allowed only to the extent that the 675
trust has not distributed such farm income. Division (S)(12) of 676
this section applies only to taxable years of a trust beginning in 677
2002 or thereafter. 678

(13) Add the net amount of income described in section 641(c) 679
of the Internal Revenue Code to the extent that amount is not 680
included in federal taxable income. 681

(14) Add or deduct the amount the taxpayer would be required 682
to add or deduct under division (A)(20) or (21) of this section if 683
the taxpayer's Ohio taxable income were computed in the same 684
manner as an individual's Ohio adjusted gross income is computed 685
under this section. In the case of a trust, division (S)(14) of 686
this section applies only to any of the trust's taxable years 687
beginning in 2002 or thereafter. 688

(15) Terms used in division (S)(15) of this section have the 689
meanings as in section 5747.014 of the Revised Code. 690

(a) In the case of a taxpayer who is an equity owner in an 691
eligible small business on the last day of the business' taxable 692
year, deduct an amount equal to the taxpayer's distributive or 693
proportionate share of the business' undistributed profit for the 694
business' taxable year that ends in the taxpayer's taxable year. 695
The amount deducted shall not exceed an amount equal to the 696
taxpayer's distributive or proportionate share of five per cent of 697
the business' gross income. 698

(b) In the case of a taxpayer who deducted any amount under 699
division (S)(15)(a) of this section for a prior taxable year, add 700
an amount equal to the taxpayer's distributive or proportionate 701
share of the excess, if any, of (i) the business' undistributed 702
profit for the business' qualifying taxable year that ended in 703

that prior taxable year over (ii) the increase in the business' 704
reinvestment expenditures from that qualifying taxable year to the 705
business' succeeding taxable year. The addition shall be made only 706
once for each of a taxpayer's taxable years for which the taxpayer 707
claimed a deduction under division (S)(15)(a) of this section, and 708
shall not exceed the amount deducted under that division. 709

(T) "School district income" and "school district income tax" 710
have the same meanings as in section 5748.01 of the Revised Code. 711

(U) As used in divisions (A)(8), (A)(9), (S)(6), and (S)(7) 712
of this section, "public obligations," "purchase obligations," and 713
"interest or interest equivalent" have the same meanings as in 714
section 5709.76 of the Revised Code. 715

(V) "Limited liability company" means any limited liability 716
company formed under Chapter 1705. of the Revised Code or under 717
the laws of any other state. 718

(W) "Pass-through entity investor" means any person who, 719
during any portion of a taxable year of a pass-through entity, is 720
a partner, member, shareholder, or equity investor in that 721
pass-through entity. 722

(X) "Banking day" has the same meaning as in section 1304.01 723
of the Revised Code. 724

(Y) "Month" means a calendar month. 725

(Z) "Quarter" means the first three months, the second three 726
months, the third three months, or the last three months of the 727
taxpayer's taxable year. 728

(AA)(1) "Eligible institution" means a state university or 729
state institution of higher education as defined in section 730
3345.011 of the Revised Code, or a private, nonprofit college, 731
university, or other post-secondary institution located in this 732
state that possesses a certificate of authorization issued by the 733

Ohio board of regents pursuant to Chapter 1713. of the Revised 734
Code or a certificate of registration issued by the state board of 735
career colleges and schools under Chapter 3332. of the Revised 736
Code. 737

(2) "Qualified tuition and fees" means tuition and fees 738
imposed by an eligible institution as a condition of enrollment or 739
attendance, not exceeding two thousand five hundred dollars in 740
each of the individual's first two years of post-secondary 741
education. If the individual is a part-time student, "qualified 742
tuition and fees" includes tuition and fees paid for the academic 743
equivalent of the first two years of post-secondary education 744
during a maximum of five taxable years, not exceeding a total of 745
five thousand dollars. "Qualified tuition and fees" does not 746
include: 747

(a) Expenses for any course or activity involving sports, 748
games, or hobbies unless the course or activity is part of the 749
individual's degree or diploma program; 750

(b) The cost of books, room and board, student activity fees, 751
athletic fees, insurance expenses, or other expenses unrelated to 752
the individual's academic course of instruction; 753

(c) Tuition, fees, or other expenses paid or reimbursed 754
through an employer, scholarship, grant in aid, or other 755
educational benefit program. 756

(BB)(1) "Modified business income" means the business income 757
included in a trust's Ohio taxable income after such taxable 758
income is first reduced by the qualifying trust amount, if any. 759

(2) "Qualifying trust amount" of a trust means capital gains 760
and losses from the sale, exchange, or other disposition of equity 761
or ownership interests in, or debt obligations of, a qualifying 762
investee to the extent included in the trust's Ohio taxable 763
income, but only if the following requirements are satisfied: 764

(a) The book value of the qualifying investee's physical 765
assets in this state and everywhere, as of the last day of the 766
qualifying investee's fiscal or calendar year ending immediately 767
prior to the date on which the trust recognizes the gain or loss, 768
is available to the trust. 769

(b) The requirements of section 5747.011 of the Revised Code 770
are satisfied for the trust's taxable year in which the trust 771
recognizes the gain or loss. 772

Any gain or loss that is not a qualifying trust amount is 773
modified business income, qualifying investment income, or 774
modified nonbusiness income, as the case may be. 775

(3) "Modified nonbusiness income" means a trust's Ohio 776
taxable income other than modified business income, other than the 777
qualifying trust amount, and other than qualifying investment 778
income, as defined in section 5747.012 of the Revised Code, to the 779
extent such qualifying investment income is not otherwise part of 780
modified business income. 781

(4) "Modified Ohio taxable income" applies only to trusts, 782
and means the sum of the amounts described in divisions (BB)(4)(a) 783
to (c) of this section: 784

(a) The fraction, calculated under section 5747.013, and 785
applying section 5747.231 of the Revised Code, multiplied by the 786
sum of the following amounts: 787

(i) The trust's modified business income; 788

(ii) The trust's qualifying investment income, as defined in 789
section 5747.012 of the Revised Code, but only to the extent the 790
qualifying investment income does not otherwise constitute 791
modified business income and does not otherwise constitute a 792
qualifying trust amount. 793

(b) The qualifying trust amount multiplied by a fraction, the 794

numerator of which is the sum of the book value of the qualifying 795
investee's physical assets in this state on the last day of the 796
qualifying investee's fiscal or calendar year ending immediately 797
prior to the day on which the trust recognizes the qualifying 798
trust amount, and the denominator of which is the sum of the book 799
value of the qualifying investee's total physical assets 800
everywhere on the last day of the qualifying investee's fiscal or 801
calendar year ending immediately prior to the day on which the 802
trust recognizes the qualifying trust amount. If, for a taxable 803
year, the trust recognizes a qualifying trust amount with respect 804
to more than one qualifying investee, the amount described in 805
division (BB)(4)(b) of this section shall equal the sum of the 806
products so computed for each such qualifying investee. 807

(c)(i) With respect to a trust or portion of a trust that is 808
a resident as ascertained in accordance with division (I)(3)(d) of 809
this section, its modified nonbusiness income. 810

(ii) With respect to a trust or portion of a trust that is 811
not a resident as ascertained in accordance with division 812
(I)(3)(d) of this section, the amount of its modified nonbusiness 813
income satisfying the descriptions in divisions (B)(2) to (5) of 814
section 5747.20 of the Revised Code, except as otherwise provided 815
in division (BB)(4)(c)(ii) of this section. With respect to a 816
trust or portion of a trust that is not a resident as ascertained 817
in accordance with division (I)(3)(d) of this section, the trust's 818
portion of modified nonbusiness income recognized from the sale, 819
exchange, or other disposition of a debt interest in or equity 820
interest in a section 5747.212 entity, as defined in section 821
5747.212 of the Revised Code, without regard to division (A) of 822
that section, shall not be allocated to this state in accordance 823
with section 5747.20 of the Revised Code but shall be apportioned 824
to this state in accordance with division (B) of section 5747.212 825
of the Revised Code without regard to division (A) of that 826

section. 827

If the allocation and apportionment of a trust's income under 828
divisions (BB)(4)(a) and (c) of this section do not fairly 829
represent the modified Ohio taxable income of the trust in this 830
state, the alternative methods described in division (C) of 831
section 5747.21 of the Revised Code may be applied in the manner 832
and to the same extent provided in that section. 833

(5)(a) Except as set forth in division (BB)(5)(b) of this 834
section, "qualifying investee" means a person in which a trust has 835
an equity or ownership interest, or a person or unit of government 836
the debt obligations of either of which are owned by a trust. For 837
the purposes of division (BB)(2)(a) of this section and for the 838
purpose of computing the fraction described in division (BB)(4)(b) 839
of this section, all of the following apply: 840

(i) If the qualifying investee is a member of a qualifying 841
controlled group on the last day of the qualifying investee's 842
fiscal or calendar year ending immediately prior to the date on 843
which the trust recognizes the gain or loss, then "qualifying 844
investee" includes all persons in the qualifying controlled group 845
on such last day. 846

(ii) If the qualifying investee, or if the qualifying 847
investee and any members of the qualifying controlled group of 848
which the qualifying investee is a member on the last day of the 849
qualifying investee's fiscal or calendar year ending immediately 850
prior to the date on which the trust recognizes the gain or loss, 851
separately or cumulatively own, directly or indirectly, on the 852
last day of the qualifying investee's fiscal or calendar year 853
ending immediately prior to the date on which the trust recognizes 854
the qualifying trust amount, more than fifty per cent of the 855
equity of a pass-through entity, then the qualifying investee and 856
the other members are deemed to own the proportionate share of the 857
pass-through entity's physical assets which the pass-through 858

entity directly or indirectly owns on the last day of the 859
pass-through entity's calendar or fiscal year ending within or 860
with the last day of the qualifying investee's fiscal or calendar 861
year ending immediately prior to the date on which the trust 862
recognizes the qualifying trust amount. 863

(iii) For the purposes of division (BB)(5)(a)(iii) of this 864
section, "upper level pass-through entity" means a pass-through 865
entity directly or indirectly owning any equity of another 866
pass-through entity, and "lower level pass-through entity" means 867
that other pass-through entity. 868

An upper level pass-through entity, whether or not it is also 869
a qualifying investee, is deemed to own, on the last day of the 870
upper level pass-through entity's calendar or fiscal year, the 871
proportionate share of the lower level pass-through entity's 872
physical assets that the lower level pass-through entity directly 873
or indirectly owns on the last day of the lower level pass-through 874
entity's calendar or fiscal year ending within or with the last 875
day of the upper level pass-through entity's fiscal or calendar 876
year. If the upper level pass-through entity directly and 877
indirectly owns less than fifty per cent of the equity of the 878
lower level pass-through entity on each day of the upper level 879
pass-through entity's calendar or fiscal year in which or with 880
which ends the calendar or fiscal year of the lower level 881
pass-through entity and if, based upon clear and convincing 882
evidence, complete information about the location and cost of the 883
physical assets of the lower pass-through entity is not available 884
to the upper level pass-through entity, then solely for purposes 885
of ascertaining if a gain or loss constitutes a qualifying trust 886
amount, the upper level pass-through entity shall be deemed as 887
owning no equity of the lower level pass-through entity for each 888
day during the upper level pass-through entity's calendar or 889
fiscal year in which or with which ends the lower level 890

pass-through entity's calendar or fiscal year. Nothing in division 891
(BB)(5)(a)(iii) of this section shall be construed to provide for 892
any deduction or exclusion in computing any trust's Ohio taxable 893
income. 894

(b) With respect to a trust that is not a resident for the 895
taxable year and with respect to a part of a trust that is not a 896
resident for the taxable year, "qualifying investee" for that 897
taxable year does not include a C corporation if both of the 898
following apply: 899

(i) During the taxable year the trust or part of the trust 900
recognizes a gain or loss from the sale, exchange, or other 901
disposition of equity or ownership interests in, or debt 902
obligations of, the C corporation. 903

(ii) Such gain or loss constitutes nonbusiness income. 904

(6) "Available" means information is such that a person is 905
able to learn of the information by the due date plus extensions, 906
if any, for filing the return for the taxable year in which the 907
trust recognizes the gain or loss. 908

(CC) "Qualifying controlled group" has the same meaning as in 909
section 5733.04 of the Revised Code. 910

(DD) "Related member" has the same meaning as in section 911
5733.042 of the Revised Code. 912

(EE)(1) For the purposes of division (EE) of this section: 913

(a) "Qualifying person" means any person other than a 914
qualifying corporation. 915

(b) "Qualifying corporation" means any person classified for 916
federal income tax purposes as an association taxable as a 917
corporation, except either of the following: 918

(i) A corporation that has made an election under subchapter 919
S, chapter one, subtitle A, of the Internal Revenue Code for its 920

taxable year ending within, or on the last day of, the investor's 921
taxable year; 922

(ii) A subsidiary that is wholly owned by any corporation 923
that has made an election under subchapter S, chapter one, 924
subtitle A of the Internal Revenue Code for its taxable year 925
ending within, or on the last day of, the investor's taxable year. 926

(2) For the purposes of this chapter, unless expressly stated 927
otherwise, no qualifying person indirectly owns any asset directly 928
or indirectly owned by any qualifying corporation. 929

(FF) For purposes of this chapter and Chapter 5751. of the 930
Revised Code: 931

(1) "Trust" does not include a qualified pre-income tax 932
trust. 933

(2) A "qualified pre-income tax trust" is any pre-income tax 934
trust that makes a qualifying pre-income tax trust election as 935
described in division (FF)(3) of this section. 936

(3) A "qualifying pre-income tax trust election" is an 937
election by a pre-income tax trust to subject to the tax imposed 938
by section 5751.02 of the Revised Code the pre-income tax trust 939
and all pass-through entities of which the trust owns or controls, 940
directly, indirectly, or constructively through related interests, 941
five per cent or more of the ownership or equity interests. The 942
trustee shall notify the tax commissioner in writing of the 943
election on or before April 15, 2006. The election, if timely 944
made, shall be effective on and after January 1, 2006, and shall 945
apply for all tax periods and tax years until revoked by the 946
trustee of the trust. 947

(4) A "pre-income tax trust" is a trust that satisfies all of 948
the following requirements: 949

(a) The document or instrument creating the trust was 950

executed by the grantor before January 1, 1972; 951

(b) The trust became irrevocable upon the creation of the 952
trust; and 953

(c) The grantor was domiciled in this state at the time the 954
trust was created. 955

Sec. 5747.014. (A) As used in this section and in divisions 956
(A)(30) and (S)(15) of section 5747.01 of the Revised Code: 957

(1) "Small business" means a sole proprietorship or 958
pass-through entity having gross income for its qualifying taxable 959
year not exceeding one million dollars. 960

(2) "Gross income" means the gross income reported by the 961
small business for its qualifying taxable year for federal income 962
tax purposes. 963

(3) "Eligible small business" means a small business that, 964
for federal income tax purposes, reports net profit for its 965
qualifying taxable year in an amount exceeding three per cent of 966
its gross income for that year, and that, in that taxable year, 967
distributes the net profit to its owners in an amount less than 968
the difference between the following: 969

(a) The net profit of the business; 970

(b) Three per cent of the gross income of the business. 971

(4) "Undistributed profit" means net profit of an eligible 972
small business that is not distributed to equity owners of the 973
business in the business' taxable year for which the net profit is 974
reported for federal income tax purposes. 975

(5) "Qualifying reinvestment expenditures" means expenditures 976
by an eligible small business for employee training costs; costs 977
of research and development as defined in section 122.15 of the 978
Revised Code; or costs of purchasing real or tangible personal 979

property used in the trade or business and chargeable to a capital 980
account. 981

(6) "Qualifying taxable year" of an eligible small business 982
means the business' taxable year ending in a taxpayer's taxable 983
year for which the taxpayer may claim the deduction under division 984
(A)(30)(a) or (S)(15)(a) of section 5747.01 of the Revised Code. 985

(7) "Employee training costs" means direct instructional 986
costs incurred to improve employees' job skills. "Employee 987
training costs" does not include the cost of executive, 988
management, or personal enrichment training programs or of 989
training programs intended exclusively for personal career 990
development. 991

Section 2. That existing section 5747.01 of the Revised Code 992
is hereby repealed. 993

Section 3. The amendment or enactment by this act of sections 994
5747.01 and 5747.014 of the Revised Code apply to a taxpayer's 995
taxable years beginning on or after the effective date of this 996
act. 997