

**As Introduced**

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**H. B. No. 258**

**Representatives Grossman, Dovilla**

**Cosponsors: Representatives Kozlowski, Slaby, Combs, Stinziano,  
Stebelton, Baker**

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**A B I L L**

To amend sections 4139.03, 4139.05, and 5747.01 and 1  
to enact sections 5747.81 and 5747.82 of the 2  
Revised Code to exempt from taxation for five 3  
years the earned income of an individual who 4  
obtains journey person status or a baccalaureate 5  
degree and works in Ohio, and to prohibit the 6  
Apprenticeship Council from adopting standards for 7  
apprenticeship ratios that are stricter than those 8  
requirements specified in the federal regulations 9  
governing apprenticeship programs and from 10  
discriminating against open or merit shops. 11

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

**Section 1.** That sections 4139.03, 4139.05, and 5747.01 be 12  
amended and sections 5747.81 and 5747.82 of the Revised Code be 13  
enacted to read as follows: 14

**Sec. 4139.03.** The apprenticeship council may establish 15  
minimum standards for apprenticeship programs and may formulate 16  
policies and issue rules as may be necessary to carry out the 17  
purpose of sections 4139.01 to 4139.06 of the Revised Code. If the 18

council adopts minimum standards for apprenticeship programs, the 19  
council shall not impose any requirements to specify apprentice to 20  
journeyperson ratios that are stricter than those requirements 21  
specified in regulations adopted by the United States secretary of 22  
labor pursuant to the "National Apprenticeship Act," 50 Stat. 664, 23  
29 U.S.C. 50, as amended. In adopting those standards, the council 24  
shall not prescribe requirements that discriminate against an 25  
employer that operates an open or merit shop, unless the council 26  
is required to adopt such a requirement to comply with the 27  
regulations adopted by the United States secretary of labor 28  
pursuant to the "National Apprenticeship Act," 50 Stat. 664, 29 29  
U.S.C. 50, as amended. The council shall determine the date and 30  
place of its meetings and shall prescribe its own rules of 31  
procedure. 32

**Sec. 4139.05. (A)** The executive secretary of the 33  
apprenticeship council has the following duties: 34

~~(A)~~(1) Encourage the voluntary participation of employers and 35  
employees in the furtherance of the objective of sections 4139.01 36  
to 4139.06 of the Revised Code; 37

~~(B)~~(2) Register any apprenticeship programs and agreements 38  
that meet the minimum standards established by the council; 39

~~(C)~~(3) Terminate or cancel on the authority of the council 40  
any registered apprenticeship programs and agreements not in 41  
accordance with the provisions of such standards; 42

~~(D)~~(4) Keep a record of apprenticeship programs and their 43  
disposition; 44

~~(E)~~(5) Issue certificate of completion of apprenticeship in 45  
accordance with the council's standards; 46

~~(F)~~(6) Devise all necessary procedures and records; 47

~~(G)~~(7) Prepare statistical reports regarding apprenticeship 48

training; 49

~~(H)~~(8) Issue information related to apprenticeship; 50

~~(I)~~(9) Perform such other duties as the council may direct. 51

(B) The executive secretary, when registering an apprenticeship program or agreement under division (A)(2) of this section, shall not discriminate against an employer because that employer operates an open or merit shop. 52  
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**Sec. 5747.01.** Except as otherwise expressly provided or 56  
clearly appearing from the context, any term used in this chapter 57  
that is not otherwise defined in this section has the same meaning 58  
as when used in a comparable context in the laws of the United 59  
States relating to federal income taxes or if not used in a 60  
comparable context in those laws, has the same meaning as in 61  
section 5733.40 of the Revised Code. Any reference in this chapter 62  
to the Internal Revenue Code includes other laws of the United 63  
States relating to federal income taxes. 64

As used in this chapter: 65

(A) "Adjusted gross income" or "Ohio adjusted gross income" 66  
means federal adjusted gross income, as defined and used in the 67  
Internal Revenue Code, adjusted as provided in this section: 68

(1) Add interest or dividends on obligations or securities of 69  
any state or of any political subdivision or authority of any 70  
state, other than this state and its subdivisions and authorities. 71

(2) Add interest or dividends on obligations of any 72  
authority, commission, instrumentality, territory, or possession 73  
of the United States to the extent that the interest or dividends 74  
are exempt from federal income taxes but not from state income 75  
taxes. 76

(3) Deduct interest or dividends on obligations of the United 77  
States and its territories and possessions or of any authority, 78

commission, or instrumentality of the United States to the extent 79  
that the interest or dividends are included in federal adjusted 80  
gross income but exempt from state income taxes under the laws of 81  
the United States. 82

(4) Deduct disability and survivor's benefits to the extent 83  
included in federal adjusted gross income. 84

(5) Deduct benefits under Title II of the Social Security Act 85  
and tier 1 railroad retirement benefits to the extent included in 86  
federal adjusted gross income under section 86 of the Internal 87  
Revenue Code. 88

(6) In the case of a taxpayer who is a beneficiary of a trust 89  
that makes an accumulation distribution as defined in section 665 90  
of the Internal Revenue Code, add, for the beneficiary's taxable 91  
years beginning before 2002, the portion, if any, of such 92  
distribution that does not exceed the undistributed net income of 93  
the trust for the three taxable years preceding the taxable year 94  
in which the distribution is made to the extent that the portion 95  
was not included in the trust's taxable income for any of the 96  
trust's taxable years beginning in 2002 or thereafter. 97

"Undistributed net income of a trust" means the taxable income of 98  
the trust increased by (a)(i) the additions to adjusted gross 99  
income required under division (A) of this section and (ii) the 100  
personal exemptions allowed to the trust pursuant to section 101  
642(b) of the Internal Revenue Code, and decreased by (b)(i) the 102  
deductions to adjusted gross income required under division (A) of 103  
this section, (ii) the amount of federal income taxes attributable 104  
to such income, and (iii) the amount of taxable income that has 105  
been included in the adjusted gross income of a beneficiary by 106  
reason of a prior accumulation distribution. Any undistributed net 107  
income included in the adjusted gross income of a beneficiary 108  
shall reduce the undistributed net income of the trust commencing 109  
with the earliest years of the accumulation period. 110

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

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

(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.

(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.

(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 143  
allowed under division (A)(11)(a) of this section shall be the net 144  
of any related premium refunds, related premium reimbursements, or 145  
related insurance premium dividends received during the taxable 146  
year. 147

(b) Deduct, to the extent not otherwise deducted or excluded 148  
in computing federal or Ohio adjusted gross income during the 149  
taxable year, the amount the taxpayer paid during the taxable 150  
year, not compensated for by any insurance or otherwise, for 151  
medical care of the taxpayer, the taxpayer's spouse, and 152  
dependents, to the extent the expenses exceed seven and one-half 153  
per cent of the taxpayer's federal adjusted gross income. 154

(c) Deduct, to the extent not otherwise deducted or excluded 155  
in computing federal or Ohio adjusted gross income, any amount 156  
included in federal adjusted gross income under section 105 or not 157  
excluded under section 106 of the Internal Revenue Code solely 158  
because it relates to an accident and health plan for a person who 159  
otherwise would be a "qualifying relative" and thus a "dependent" 160  
under section 152 of the Internal Revenue Code but for the fact 161  
that the person fails to meet the income and support limitations 162  
under section 152(d)(1)(B) and (C) of the Internal Revenue Code. 163

(d) For purposes of division (A)(11) of this section, 164  
"medical care" has the meaning given in section 213 of the 165  
Internal Revenue Code, subject to the special rules, limitations, 166  
and exclusions set forth therein, and "qualified long-term care" 167  
has the same meaning given in section 7702B(c) of the Internal 168  
Revenue Code. Solely for purposes of divisions (A)(11)(a) and (c) 169  
of this section, "dependent" includes a person who otherwise would 170  
be a "qualifying relative" and thus a "dependent" under section 171  
152 of the Internal Revenue Code but for the fact that the person 172  
fails to meet the income and support limitations under section 173  
152(d)(1)(B) and (C) of the Internal Revenue Code. 174

(12)(a) Deduct any amount included in federal adjusted gross 175  
income solely because the amount represents a reimbursement or 176  
refund of expenses that in any year the taxpayer had deducted as 177  
an itemized deduction pursuant to section 63 of the Internal 178  
Revenue Code and applicable United States department of the 179  
treasury regulations. The deduction otherwise allowed under 180  
division (A)(12)(a) of this section shall be reduced to the extent 181  
the reimbursement is attributable to an amount the taxpayer 182  
deducted under this section in any taxable year. 183

(b) Add any amount not otherwise included in Ohio adjusted 184  
gross income for any taxable year to the extent that the amount is 185  
attributable to the recovery during the taxable year of any amount 186  
deducted or excluded in computing federal or Ohio adjusted gross 187  
income in any taxable year. 188

(13) Deduct any portion of the deduction described in section 189  
1341(a)(2) of the Internal Revenue Code, for repaying previously 190  
reported income received under a claim of right, that meets both 191  
of the following requirements: 192

(a) It is allowable for repayment of an item that was 193  
included in the taxpayer's adjusted gross income for a prior 194  
taxable year and did not qualify for a credit under division (A) 195  
or (B) of section 5747.05 of the Revised Code for that year; 196

(b) It does not otherwise reduce the taxpayer's adjusted 197  
gross income for the current or any other taxable year. 198

(14) Deduct an amount equal to the deposits made to, and net 199  
investment earnings of, a medical savings account during the 200  
taxable year, in accordance with section 3924.66 of the Revised 201  
Code. The deduction allowed by division (A)(14) of this section 202  
does not apply to medical savings account deposits and earnings 203  
otherwise deducted or excluded for the current or any other 204  
taxable year from the taxpayer's federal adjusted gross income. 205

(15)(a) Add an amount equal to the funds withdrawn from a	206
medical savings account during the taxable year, and the net	207
investment earnings on those funds, when the funds withdrawn were	208
used for any purpose other than to reimburse an account holder	209
for, or to pay, eligible medical expenses, in accordance with	210
section 3924.66 of the Revised Code;	211
(b) Add the amounts distributed from a medical savings	212
account under division (A)(2) of section 3924.68 of the Revised	213
Code during the taxable year.	214
(16) Add any amount claimed as a credit under section	215
5747.059 of the Revised Code to the extent that such amount	216
satisfies either of the following:	217
(a) The amount was deducted or excluded from the computation	218
of the taxpayer's federal adjusted gross income as required to be	219
reported for the taxpayer's taxable year under the Internal	220
Revenue Code;	221
(b) The amount resulted in a reduction of the taxpayer's	222
federal adjusted gross income as required to be reported for any	223
of the taxpayer's taxable years under the Internal Revenue Code.	224
(17) Deduct the amount contributed by the taxpayer to an	225
individual development account program established by a county	226
department of job and family services pursuant to sections 329.11	227
to 329.14 of the Revised Code for the purpose of matching funds	228
deposited by program participants. On request of the tax	229
commissioner, the taxpayer shall provide any information that, in	230
the tax commissioner's opinion, is necessary to establish the	231
amount deducted under division (A)(17) of this section.	232
(18) Beginning in taxable year 2001 but not for any taxable	233
year beginning after December 31, 2005, if the taxpayer is married	234
and files a joint return and the combined federal adjusted gross	235
income of the taxpayer and the taxpayer's spouse for the taxable	236



year does not exceed one hundred thousand dollars, or if the 237  
taxpayer is single and has a federal adjusted gross income for the 238  
taxable year not exceeding fifty thousand dollars, deduct amounts 239  
paid during the taxable year for qualified tuition and fees paid 240  
to an eligible institution for the taxpayer, the taxpayer's 241  
spouse, or any dependent of the taxpayer, who is a resident of 242  
this state and is enrolled in or attending a program that 243  
culminates in a degree or diploma at an eligible institution. The 244  
deduction may be claimed only to the extent that qualified tuition 245  
and fees are not otherwise deducted or excluded for any taxable 246  
year from federal or Ohio adjusted gross income. The deduction may 247  
not be claimed for educational expenses for which the taxpayer 248  
claims a credit under section 5747.27 of the Revised Code. 249

(19) Add any reimbursement received during the taxable year 250  
of any amount the taxpayer deducted under division (A)(18) of this 251  
section in any previous taxable year to the extent the amount is 252  
not otherwise included in Ohio adjusted gross income. 253

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

(ii) Add five-sixths of the amount of qualifying section 179 260  
depreciation expense, including a person's proportionate or 261  
distributive share of the amount of qualifying section 179 262  
depreciation expense allowed to any pass-through entity in which 263  
the person has a direct or indirect ownership. For the purposes of 264  
this division, "qualifying section 179 depreciation expense" means 265  
the difference between (I) the amount of depreciation expense 266  
directly or indirectly allowed to the taxpayer under section 179 267  
of the Internal Revenue Code, and (II) the amount of depreciation 268

expense directly or indirectly allowed to the taxpayer under 269  
section 179 of the Internal Revenue Code as that section existed 270  
on December 31, 2002. 271

The tax commissioner, under procedures established by the 272  
commissioner, may waive the add-backs related to a pass-through 273  
entity if the taxpayer owns, directly or indirectly, less than 274  
five per cent of the pass-through entity. 275

(b) Nothing in division (A)(20) of this section shall be 276  
construed to adjust or modify the adjusted basis of any asset. 277

(c) To the extent the add-back required under division 278  
(A)(20)(a) of this section is attributable to property generating 279  
nonbusiness income or loss allocated under section 5747.20 of the 280  
Revised Code, the add-back shall be situated to the same location 281  
as the nonbusiness income or loss generated by the property for 282  
the purpose of determining the credit under division (A) of 283  
section 5747.05 of the Revised Code. Otherwise, the add-back shall 284  
be apportioned, subject to one or more of the four alternative 285  
methods of apportionment enumerated in section 5747.21 of the 286  
Revised Code. 287

(d) For the purposes of division (A) of this section, net 288  
operating loss carryback and carryforward shall not include 289  
five-sixths of the allowance of any net operating loss deduction 290  
carryback or carryforward to the taxable year to the extent such 291  
loss resulted from depreciation allowed by section 168(k) of the 292  
Internal Revenue Code and by the qualifying section 179 293  
depreciation expense amount. 294

(21)(a) If the taxpayer was required to add an amount under 295  
division (A)(20)(a) of this section for a taxable year, deduct 296  
one-fifth of the amount so added for each of the five succeeding 297  
taxable years. 298

(b) If the amount deducted under division (A)(21)(a) of this 299

section is attributable to an add-back allocated under division 300  
(A)(20)(c) of this section, the amount deducted shall be sitused 301  
to the same location. Otherwise, the add-back shall be apportioned 302  
using the apportionment factors for the taxable year in which the 303  
deduction is taken, subject to one or more of the four alternative 304  
methods of apportionment enumerated in section 5747.21 of the 305  
Revised Code. 306

(c) No deduction is available under division (A)(21)(a) of 307  
this section with regard to any depreciation allowed by section 308  
168(k) of the Internal Revenue Code and by the qualifying section 309  
179 depreciation expense amount to the extent that such 310  
depreciation resulted in or increased a federal net operating loss 311  
carryback or carryforward to a taxable year to which division 312  
(A)(20)(d) of this section does not apply. 313

(22) Deduct, to the extent not otherwise deducted or excluded 314  
in computing federal or Ohio adjusted gross income for the taxable 315  
year, the amount the taxpayer received during the taxable year as 316  
reimbursement for life insurance premiums under section 5919.31 of 317  
the Revised Code. 318

(23) Deduct, to the extent not otherwise deducted or excluded 319  
in computing federal or Ohio adjusted gross income for the taxable 320  
year, the amount the taxpayer received during the taxable year as 321  
a death benefit paid by the adjutant general under section 5919.33 322  
of the Revised Code. 323

(24) Deduct, to the extent included in federal adjusted gross 324  
income and not otherwise allowable as a deduction or exclusion in 325  
computing federal or Ohio adjusted gross income for the taxable 326  
year, military pay and allowances received by the taxpayer during 327  
the taxable year for active duty service in the United States 328  
army, air force, navy, marine corps, or coast guard or reserve 329  
components thereof or the national guard. The deduction may not be 330  
claimed for military pay and allowances received by the taxpayer 331

while the taxpayer is stationed in this state. 332

(25) Deduct, to the extent not otherwise allowable as a 333  
deduction or exclusion in computing federal or Ohio adjusted gross 334  
income for the taxable year and not otherwise compensated for by 335  
any other source, the amount of qualified organ donation expenses 336  
incurred by the taxpayer during the taxable year, not to exceed 337  
ten thousand dollars. A taxpayer may deduct qualified organ 338  
donation expenses only once for all taxable years beginning with 339  
taxable years beginning in 2007. 340

For the purposes of division (A)(25) of this section: 341

(a) "Human organ" means all or any portion of a human liver, 342  
pancreas, kidney, intestine, or lung, and any portion of human 343  
bone marrow. 344

(b) "Qualified organ donation expenses" means travel 345  
expenses, lodging expenses, and wages and salary forgone by a 346  
taxpayer in connection with the taxpayer's donation, while living, 347  
of one or more of the taxpayer's human organs to another human 348  
being. 349

(26) Deduct, to the extent not otherwise deducted or excluded 350  
in computing federal or Ohio adjusted gross income for the taxable 351  
year, amounts received by the taxpayer as retired military 352  
personnel pay for service in the United States army, navy, air 353  
force, coast guard, or marine corps or reserve components thereof, 354  
or the national guard, or received by the surviving spouse or 355  
former spouse of such a taxpayer under the survivor benefit plan 356  
on account of such a taxpayer's death. If the taxpayer receives 357  
income on account of retirement paid under the federal civil 358  
service retirement system or federal employees retirement system, 359  
or under any successor retirement program enacted by the congress 360  
of the United States that is established and maintained for 361  
retired employees of the United States government, and such 362

retirement income is based, in whole or in part, on credit for the 363  
taxpayer's military service, the deduction allowed under this 364  
division shall include only that portion of such retirement income 365  
that is attributable to the taxpayer's military service, to the 366  
extent that portion of such retirement income is otherwise 367  
included in federal adjusted gross income and is not otherwise 368  
deducted under this section. Any amount deducted under division 369  
(A)(26) of this section is not included in a taxpayer's adjusted 370  
gross income for the purposes of section 5747.055 of the Revised 371  
Code. No amount may be deducted under division (A)(26) of this 372  
section on the basis of which a credit was claimed under section 373  
5747.055 of the Revised Code. 374

(27) Deduct, to the extent not otherwise deducted or excluded 375  
in computing federal or Ohio adjusted gross income for the taxable 376  
year, the amount the taxpayer received during the taxable year 377  
from the military injury relief fund created in section 5101.98 of 378  
the Revised Code. 379

(28) Deduct, to the extent not otherwise deducted or excluded 380  
in computing federal or Ohio adjusted gross income for the taxable 381  
year, the amount the taxpayer received as a veterans bonus during 382  
the taxable year from the Ohio department of veterans services as 383  
authorized by Section 2r of Article VIII, Ohio Constitution. 384

(29) Deduct, to the extent not otherwise deducted or excluded 385  
in computing federal or Ohio adjusted gross income for the taxable 386  
year, any loss from wagering transactions that is allowed as an 387  
itemized deduction under section 165 of the Internal Revenue Code 388  
and that the taxpayer deducted in computing federal taxable 389  
income. 390

(30) Deduct the amount allowed under section 5747.81 of the 391  
Revised Code. 392

(31) Deduct the amount allowed under section 5747.82 of the 393

<u>Revised Code.</u>	394
(B) "Business income" means income, including gain or loss, arising from transactions, activities, and sources in the regular course of a trade or business and includes income, gain, or loss from real property, tangible property, and intangible property if the acquisition, rental, management, and disposition of the property constitute integral parts of the regular course of a trade or business operation. "Business income" includes income, including gain or loss, from a partial or complete liquidation of a business, including, but not limited to, gain or loss from the sale or other disposition of goodwill.	395 396 397 398 399 400 401 402 403 404
(C) "Nonbusiness income" means all income other than business income and may include, but is not limited to, compensation, rents and royalties from real or tangible personal property, capital gains, interest, dividends and distributions, patent or copyright royalties, or lottery winnings, prizes, and awards.	405 406 407 408 409
(D) "Compensation" means any form of remuneration paid to an employee for personal services.	410 411
(E) "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any other person acting in any fiduciary capacity for any individual, trust, or estate.	412 413 414
(F) "Fiscal year" means an accounting period of twelve months ending on the last day of any month other than December.	415 416
(G) "Individual" means any natural person.	417
(H) "Internal Revenue Code" means the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended.	418 419
(I) "Resident" means any of the following, provided that division (I)(3) of this section applies only to taxable years of a trust beginning in 2002 or thereafter:	420 421 422
(1) An individual who is domiciled in this state, subject to	423

section 5747.24 of the Revised Code; 424

(2) The estate of a decedent who at the time of death was 425  
domiciled in this state. The domicile tests of section 5747.24 of 426  
the Revised Code are not controlling for purposes of division 427  
(I)(2) of this section. 428

(3) A trust that, in whole or part, resides in this state. If 429  
only part of a trust resides in this state, the trust is a 430  
resident only with respect to that part. 431

For the purposes of division (I)(3) of this section: 432

(a) A trust resides in this state for the trust's current 433  
taxable year to the extent, as described in division (I)(3)(d) of 434  
this section, that the trust consists directly or indirectly, in 435  
whole or in part, of assets, net of any related liabilities, that 436  
were transferred, or caused to be transferred, directly or 437  
indirectly, to the trust by any of the following: 438

(i) A person, a court, or a governmental entity or 439  
instrumentality on account of the death of a decedent, but only if 440  
the trust is described in division (I)(3)(e)(i) or (ii) of this 441  
section; 442

(ii) A person who was domiciled in this state for the 443  
purposes of this chapter when the person directly or indirectly 444  
transferred assets to an irrevocable trust, but only if at least 445  
one of the trust's qualifying beneficiaries is domiciled in this 446  
state for the purposes of this chapter during all or some portion 447  
of the trust's current taxable year; 448

(iii) A person who was domiciled in this state for the 449  
purposes of this chapter when the trust document or instrument or 450  
part of the trust document or instrument became irrevocable, but 451  
only if at least one of the trust's qualifying beneficiaries is a 452  
resident domiciled in this state for the purposes of this chapter 453  
during all or some portion of the trust's current taxable year. If 454

a trust document or instrument became irrevocable upon the death 455  
of a person who at the time of death was domiciled in this state 456  
for purposes of this chapter, that person is a person described in 457  
division (I)(3)(a)(iii) of this section. 458

(b) A trust is irrevocable to the extent that the transferor 459  
is not considered to be the owner of the net assets of the trust 460  
under sections 671 to 678 of the Internal Revenue Code. 461

(c) With respect to a trust other than a charitable lead 462  
trust, "qualifying beneficiary" has the same meaning as "potential 463  
current beneficiary" as defined in section 1361(e)(2) of the 464  
Internal Revenue Code, and with respect to a charitable lead trust 465  
"qualifying beneficiary" is any current, future, or contingent 466  
beneficiary, but with respect to any trust "qualifying 467  
beneficiary" excludes a person or a governmental entity or 468  
instrumentality to any of which a contribution would qualify for 469  
the charitable deduction under section 170 of the Internal Revenue 470  
Code. 471

(d) For the purposes of division (I)(3)(a) of this section, 472  
the extent to which a trust consists directly or indirectly, in 473  
whole or in part, of assets, net of any related liabilities, that 474  
were transferred directly or indirectly, in whole or part, to the 475  
trust by any of the sources enumerated in that division shall be 476  
ascertained by multiplying the fair market value of the trust's 477  
assets, net of related liabilities, by the qualifying ratio, which 478  
shall be computed as follows: 479

(i) The first time the trust receives assets, the numerator 480  
of the qualifying ratio is the fair market value of those assets 481  
at that time, net of any related liabilities, from sources 482  
enumerated in division (I)(3)(a) of this section. The denominator 483  
of the qualifying ratio is the fair market value of all the 484  
trust's assets at that time, net of any related liabilities. 485



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

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

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

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

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

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

section, a "qualifying transfer" is a transfer of assets, net of 517  
any related liabilities, directly or indirectly to a trust, if the 518  
transfer is described in any of the following: 519

(i) The transfer is made to a trust, created by the decedent 520  
before the decedent's death and while the decedent was domiciled 521  
in this state for the purposes of this chapter, and, prior to the 522  
death of the decedent, the trust became irrevocable while the 523  
decedent was domiciled in this state for the purposes of this 524  
chapter. 525

(ii) The transfer is made to a trust to which the decedent, 526  
prior to the decedent's death, had directly or indirectly 527  
transferred assets, net of any related liabilities, while the 528  
decedent was domiciled in this state for the purposes of this 529  
chapter, and prior to the death of the decedent the trust became 530  
irrevocable while the decedent was domiciled in this state for the 531  
purposes of this chapter. 532

(iii) The transfer is made on account of a contractual 533  
relationship existing directly or indirectly between the 534  
transferor and either the decedent or the estate of the decedent 535  
at any time prior to the date of the decedent's death, and the 536  
decedent was domiciled in this state at the time of death for 537  
purposes of the taxes levied under Chapter 5731. of the Revised 538  
Code. 539

(iv) The transfer is made to a trust on account of a 540  
contractual relationship existing directly or indirectly between 541  
the transferor and another person who at the time of the 542  
decedent's death was domiciled in this state for purposes of this 543  
chapter. 544

(v) The transfer is made to a trust on account of the will of 545  
a testator who was domiciled in this state at the time of the 546  
testator's death for purposes of the taxes levied under Chapter 547

5731. of the Revised Code.	548
(vi) The transfer is made to a trust created by or caused to be created by a court, and the trust was directly or indirectly created in connection with or as a result of the death of an individual who, for purposes of the taxes levied under Chapter 5731. of the Revised Code, was domiciled in this state at the time of the individual's death.	549 550 551 552 553 554
(g) The tax commissioner may adopt rules to ascertain the part of a trust residing in this state.	555 556
(J) "Nonresident" means an individual or estate that is not a resident. An individual who is a resident for only part of a taxable year is a nonresident for the remainder of that taxable year.	557 558 559 560
(K) "Pass-through entity" has the same meaning as in section 5733.04 of the Revised Code.	561 562
(L) "Return" means the notifications and reports required to be filed pursuant to this chapter for the purpose of reporting the tax due and includes declarations of estimated tax when so required.	563 564 565 566
(M) "Taxable year" means the calendar year or the taxpayer's fiscal year ending during the calendar year, or fractional part thereof, upon which the adjusted gross income is calculated pursuant to this chapter.	567 568 569 570
(N) "Taxpayer" means any person subject to the tax imposed by section 5747.02 of the Revised Code or any pass-through entity that makes the election under division (D) of section 5747.08 of the Revised Code.	571 572 573 574
(O) "Dependents" means dependents as defined in the Internal Revenue Code and as claimed in the taxpayer's federal income tax return for the taxable year or which the taxpayer would have been	575 576 577

permitted to claim had the taxpayer filed a federal income tax return. 578  
579

(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. 580  
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(Q) As used in sections 5747.50 to 5747.55 of the Revised Code: 585  
586

(1) "Subdivision" means any county, municipal corporation, park district, or township. 587  
588

(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. 589  
590  
591  
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(R) "Overpayment" means any amount already paid that exceeds the figure determined to be the correct amount of the tax. 593  
594

(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: 595  
596  
597

(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: 598  
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(a) The net amount is not attributable to the S portion of an electing small business trust and has not been distributed to 606  
607

beneficiaries for the taxable year; 608

(b) The net amount is attributable to the S portion of an 609  
electing small business trust for the taxable year. 610

(2) Add interest or dividends, net of ordinary, necessary, 611  
and reasonable expenses not deducted in computing federal taxable 612  
income, on obligations of any authority, commission, 613  
instrumentality, territory, or possession of the United States to 614  
the extent that the interest or dividends are exempt from federal 615  
income taxes but not from state income taxes, but only to the 616  
extent that such net amount is not otherwise includible in Ohio 617  
taxable income and is described in either division (S)(1)(a) or 618  
(b) of this section; 619

(3) Add the amount of personal exemption allowed to the 620  
estate pursuant to section 642(b) of the Internal Revenue Code; 621

(4) Deduct interest or dividends, net of related expenses 622  
deducted in computing federal taxable income, on obligations of 623  
the United States and its territories and possessions or of any 624  
authority, commission, or instrumentality of the United States to 625  
the extent that the interest or dividends are exempt from state 626  
taxes under the laws of the United States, but only to the extent 627  
that such amount is included in federal taxable income and is 628  
described in either division (S)(1)(a) or (b) of this section; 629

(5) Deduct the amount of wages and salaries, if any, not 630  
otherwise allowable as a deduction but that would have been 631  
allowable as a deduction in computing federal taxable income for 632  
the taxable year, had the targeted jobs credit allowed under 633  
sections 38, 51, and 52 of the Internal Revenue Code not been in 634  
effect, but only to the extent such amount relates either to 635  
income included in federal taxable income for the taxable year or 636  
to income of the S portion of an electing small business trust for 637  
the taxable year; 638

(6) Deduct any interest or interest equivalent, net of 639  
related expenses deducted in computing federal taxable income, on 640  
public obligations and purchase obligations, but only to the 641  
extent that such net amount relates either to income included in 642  
federal taxable income for the taxable year or to income of the S 643  
portion of an electing small business trust for the taxable year; 644

(7) Add any loss or deduct any gain resulting from sale, 645  
exchange, or other disposition of public obligations to the extent 646  
that such loss has been deducted or such gain has been included in 647  
computing either federal taxable income or income of the S portion 648  
of an electing small business trust for the taxable year; 649

(8) Except in the case of the final return of an estate, add 650  
any amount deducted by the taxpayer on both its Ohio estate tax 651  
return pursuant to section 5731.14 of the Revised Code, and on its 652  
federal income tax return in determining federal taxable income; 653

(9)(a) Deduct any amount included in federal taxable income 654  
solely because the amount represents a reimbursement or refund of 655  
expenses that in a previous year the decedent had deducted as an 656  
itemized deduction pursuant to section 63 of the Internal Revenue 657  
Code and applicable treasury regulations. The deduction otherwise 658  
allowed under division (S)(9)(a) of this section shall be reduced 659  
to the extent the reimbursement is attributable to an amount the 660  
taxpayer or decedent deducted under this section in any taxable 661  
year. 662

(b) Add any amount not otherwise included in Ohio taxable 663  
income for any taxable year to the extent that the amount is 664  
attributable to the recovery during the taxable year of any amount 665  
deducted or excluded in computing federal or Ohio taxable income 666  
in any taxable year, but only to the extent such amount has not 667  
been distributed to beneficiaries for the taxable year. 668

(10) Deduct any portion of the deduction described in section 669

1341(a)(2) of the Internal Revenue Code, for repaying previously 670  
reported income received under a claim of right, that meets both 671  
of the following requirements: 672

(a) It is allowable for repayment of an item that was 673  
included in the taxpayer's taxable income or the decedent's 674  
adjusted gross income for a prior taxable year and did not qualify 675  
for a credit under division (A) or (B) of section 5747.05 of the 676  
Revised Code for that year. 677

(b) It does not otherwise reduce the taxpayer's taxable 678  
income or the decedent's adjusted gross income for the current or 679  
any other taxable year. 680

(11) Add any amount claimed as a credit under section 681  
5747.059 of the Revised Code to the extent that the amount 682  
satisfies either of the following: 683

(a) The amount was deducted or excluded from the computation 684  
of the taxpayer's federal taxable income as required to be 685  
reported for the taxpayer's taxable year under the Internal 686  
Revenue Code; 687

(b) The amount resulted in a reduction in the taxpayer's 688  
federal taxable income as required to be reported for any of the 689  
taxpayer's taxable years under the Internal Revenue Code. 690

(12) Deduct any amount, net of related expenses deducted in 691  
computing federal taxable income, that a trust is required to 692  
report as farm income on its federal income tax return, but only 693  
if the assets of the trust include at least ten acres of land 694  
satisfying the definition of "land devoted exclusively to 695  
agricultural use" under section 5713.30 of the Revised Code, 696  
regardless of whether the land is valued for tax purposes as such 697  
land under sections 5713.30 to 5713.38 of the Revised Code. If the 698  
trust is a pass-through entity investor, section 5747.231 of the 699  
Revised Code applies in ascertaining if the trust is eligible to 700

claim the deduction provided by division (S)(12) of this section 701  
in connection with the pass-through entity's farm income. 702

Except for farm income attributable to the S portion of an 703  
electing small business trust, the deduction provided by division 704  
(S)(12) of this section is allowed only to the extent that the 705  
trust has not distributed such farm income. Division (S)(12) of 706  
this section applies only to taxable years of a trust beginning in 707  
2002 or thereafter. 708

(13) Add the net amount of income described in section 641(c) 709  
of the Internal Revenue Code to the extent that amount is not 710  
included in federal taxable income. 711

(14) Add or deduct the amount the taxpayer would be required 712  
to add or deduct under division (A)(20) or (21) of this section if 713  
the taxpayer's Ohio taxable income were computed in the same 714  
manner as an individual's Ohio adjusted gross income is computed 715  
under this section. In the case of a trust, division (S)(14) of 716  
this section applies only to any of the trust's taxable years 717  
beginning in 2002 or thereafter. 718

(T) "School district income" and "school district income tax" 719  
have the same meanings as in section 5748.01 of the Revised Code. 720

(U) As used in divisions (A)(8), (A)(9), (S)(6), and (S)(7) 721  
of this section, "public obligations," "purchase obligations," and 722  
"interest or interest equivalent" have the same meanings as in 723  
section 5709.76 of the Revised Code. 724

(V) "Limited liability company" means any limited liability 725  
company formed under Chapter 1705. of the Revised Code or under 726  
the laws of any other state. 727

(W) "Pass-through entity investor" means any person who, 728  
during any portion of a taxable year of a pass-through entity, is 729  
a partner, member, shareholder, or equity investor in that 730  
pass-through entity. 731



(X) "Banking day" has the same meaning as in section 1304.01	732
of the Revised Code.	733
(Y) "Month" means a calendar month.	734
(Z) "Quarter" means the first three months, the second three	735
months, the third three months, or the last three months of the	736
taxpayer's taxable year.	737
(AA)(1) "Eligible institution" means a state university or	738
state institution of higher education as defined in section	739
3345.011 of the Revised Code, or a private, nonprofit college,	740
university, or other post-secondary institution located in this	741
state that possesses a certificate of authorization issued by the	742
Ohio board of regents pursuant to Chapter 1713. of the Revised	743
Code or a certificate of registration issued by the state board of	744
career colleges and schools under Chapter 3332. of the Revised	745
Code.	746
(2) "Qualified tuition and fees" means tuition and fees	747
imposed by an eligible institution as a condition of enrollment or	748
attendance, not exceeding two thousand five hundred dollars in	749
each of the individual's first two years of post-secondary	750
education. If the individual is a part-time student, "qualified	751
tuition and fees" includes tuition and fees paid for the academic	752
equivalent of the first two years of post-secondary education	753
during a maximum of five taxable years, not exceeding a total of	754
five thousand dollars. "Qualified tuition and fees" does not	755
include:	756
(a) Expenses for any course or activity involving sports,	757
games, or hobbies unless the course or activity is part of the	758
individual's degree or diploma program;	759
(b) The cost of books, room and board, student activity fees,	760
athletic fees, insurance expenses, or other expenses unrelated to	761
the individual's academic course of instruction;	762

(c) Tuition, fees, or other expenses paid or reimbursed 763  
through an employer, scholarship, grant in aid, or other 764  
educational benefit program. 765

(BB)(1) "Modified business income" means the business income 766  
included in a trust's Ohio taxable income after such taxable 767  
income is first reduced by the qualifying trust amount, if any. 768

(2) "Qualifying trust amount" of a trust means capital gains 769  
and losses from the sale, exchange, or other disposition of equity 770  
or ownership interests in, or debt obligations of, a qualifying 771  
investee to the extent included in the trust's Ohio taxable 772  
income, but only if the following requirements are satisfied: 773

(a) The book value of the qualifying investee's physical 774  
assets in this state and everywhere, as of the last day of the 775  
qualifying investee's fiscal or calendar year ending immediately 776  
prior to the date on which the trust recognizes the gain or loss, 777  
is available to the trust. 778

(b) The requirements of section 5747.011 of the Revised Code 779  
are satisfied for the trust's taxable year in which the trust 780  
recognizes the gain or loss. 781

Any gain or loss that is not a qualifying trust amount is 782  
modified business income, qualifying investment income, or 783  
modified nonbusiness income, as the case may be. 784

(3) "Modified nonbusiness income" means a trust's Ohio 785  
taxable income other than modified business income, other than the 786  
qualifying trust amount, and other than qualifying investment 787  
income, as defined in section 5747.012 of the Revised Code, to the 788  
extent such qualifying investment income is not otherwise part of 789  
modified business income. 790

(4) "Modified Ohio taxable income" applies only to trusts, 791  
and means the sum of the amounts described in divisions (BB)(4)(a) 792  
to (c) of this section: 793

(a) The fraction, calculated under section 5747.013, and 794  
applying section 5747.231 of the Revised Code, multiplied by the 795  
sum of the following amounts: 796

(i) The trust's modified business income; 797

(ii) The trust's qualifying investment income, as defined in 798  
section 5747.012 of the Revised Code, but only to the extent the 799  
qualifying investment income does not otherwise constitute 800  
modified business income and does not otherwise constitute a 801  
qualifying trust amount. 802

(b) The qualifying trust amount multiplied by a fraction, the 803  
numerator of which is the sum of the book value of the qualifying 804  
investee's physical assets in this state on the last day of the 805  
qualifying investee's fiscal or calendar year ending immediately 806  
prior to the day on which the trust recognizes the qualifying 807  
trust amount, and the denominator of which is the sum of the book 808  
value of the qualifying investee's total physical assets 809  
everywhere on the last day of the qualifying investee's fiscal or 810  
calendar year ending immediately prior to the day on which the 811  
trust recognizes the qualifying trust amount. If, for a taxable 812  
year, the trust recognizes a qualifying trust amount with respect 813  
to more than one qualifying investee, the amount described in 814  
division (BB)(4)(b) of this section shall equal the sum of the 815  
products so computed for each such qualifying investee. 816

(c)(i) With respect to a trust or portion of a trust that is 817  
a resident as ascertained in accordance with division (I)(3)(d) of 818  
this section, its modified nonbusiness income. 819

(ii) With respect to a trust or portion of a trust that is 820  
not a resident as ascertained in accordance with division 821  
(I)(3)(d) of this section, the amount of its modified nonbusiness 822  
income satisfying the descriptions in divisions (B)(2) to (5) of 823  
section 5747.20 of the Revised Code, except as otherwise provided 824

in division (BB)(4)(c)(ii) of this section. With respect to a 825  
trust or portion of a trust that is not a resident as ascertained 826  
in accordance with division (I)(3)(d) of this section, the trust's 827  
portion of modified nonbusiness income recognized from the sale, 828  
exchange, or other disposition of a debt interest in or equity 829  
interest in a section 5747.212 entity, as defined in section 830  
5747.212 of the Revised Code, without regard to division (A) of 831  
that section, shall not be allocated to this state in accordance 832  
with section 5747.20 of the Revised Code but shall be apportioned 833  
to this state in accordance with division (B) of section 5747.212 834  
of the Revised Code without regard to division (A) of that 835  
section. 836

If the allocation and apportionment of a trust's income under 837  
divisions (BB)(4)(a) and (c) of this section do not fairly 838  
represent the modified Ohio taxable income of the trust in this 839  
state, the alternative methods described in division (C) of 840  
section 5747.21 of the Revised Code may be applied in the manner 841  
and to the same extent provided in that section. 842

(5)(a) Except as set forth in division (BB)(5)(b) of this 843  
section, "qualifying investee" means a person in which a trust has 844  
an equity or ownership interest, or a person or unit of government 845  
the debt obligations of either of which are owned by a trust. For 846  
the purposes of division (BB)(2)(a) of this section and for the 847  
purpose of computing the fraction described in division (BB)(4)(b) 848  
of this section, all of the following apply: 849

(i) If the qualifying investee is a member of a qualifying 850  
controlled group on the last day of the qualifying investee's 851  
fiscal or calendar year ending immediately prior to the date on 852  
which the trust recognizes the gain or loss, then "qualifying 853  
investee" includes all persons in the qualifying controlled group 854  
on such last day. 855

(ii) If the qualifying investee, or if the qualifying 856

investee and any members of the qualifying controlled group of 857  
which the qualifying investee is a member on the last day of the 858  
qualifying investee's fiscal or calendar year ending immediately 859  
prior to the date on which the trust recognizes the gain or loss, 860  
separately or cumulatively own, directly or indirectly, on the 861  
last day of the qualifying investee's fiscal or calendar year 862  
ending immediately prior to the date on which the trust recognizes 863  
the qualifying trust amount, more than fifty per cent of the 864  
equity of a pass-through entity, then the qualifying investee and 865  
the other members are deemed to own the proportionate share of the 866  
pass-through entity's physical assets which the pass-through 867  
entity directly or indirectly owns on the last day of the 868  
pass-through entity's calendar or fiscal year ending within or 869  
with the last day of the qualifying investee's fiscal or calendar 870  
year ending immediately prior to the date on which the trust 871  
recognizes the qualifying trust amount. 872

(iii) For the purposes of division (BB)(5)(a)(iii) of this 873  
section, "upper level pass-through entity" means a pass-through 874  
entity directly or indirectly owning any equity of another 875  
pass-through entity, and "lower level pass-through entity" means 876  
that other pass-through entity. 877

An upper level pass-through entity, whether or not it is also 878  
a qualifying investee, is deemed to own, on the last day of the 879  
upper level pass-through entity's calendar or fiscal year, the 880  
proportionate share of the lower level pass-through entity's 881  
physical assets that the lower level pass-through entity directly 882  
or indirectly owns on the last day of the lower level pass-through 883  
entity's calendar or fiscal year ending within or with the last 884  
day of the upper level pass-through entity's fiscal or calendar 885  
year. If the upper level pass-through entity directly and 886  
indirectly owns less than fifty per cent of the equity of the 887  
lower level pass-through entity on each day of the upper level 888

pass-through entity's calendar or fiscal year in which or with 889  
which ends the calendar or fiscal year of the lower level 890  
pass-through entity and if, based upon clear and convincing 891  
evidence, complete information about the location and cost of the 892  
physical assets of the lower pass-through entity is not available 893  
to the upper level pass-through entity, then solely for purposes 894  
of ascertaining if a gain or loss constitutes a qualifying trust 895  
amount, the upper level pass-through entity shall be deemed as 896  
owning no equity of the lower level pass-through entity for each 897  
day during the upper level pass-through entity's calendar or 898  
fiscal year in which or with which ends the lower level 899  
pass-through entity's calendar or fiscal year. Nothing in division 900  
(BB)(5)(a)(iii) of this section shall be construed to provide for 901  
any deduction or exclusion in computing any trust's Ohio taxable 902  
income. 903

(b) With respect to a trust that is not a resident for the 904  
taxable year and with respect to a part of a trust that is not a 905  
resident for the taxable year, "qualifying investee" for that 906  
taxable year does not include a C corporation if both of the 907  
following apply: 908

(i) During the taxable year the trust or part of the trust 909  
recognizes a gain or loss from the sale, exchange, or other 910  
disposition of equity or ownership interests in, or debt 911  
obligations of, the C corporation. 912

(ii) Such gain or loss constitutes nonbusiness income. 913

(6) "Available" means information is such that a person is 914  
able to learn of the information by the due date plus extensions, 915  
if any, for filing the return for the taxable year in which the 916  
trust recognizes the gain or loss. 917

(CC) "Qualifying controlled group" has the same meaning as in 918  
section 5733.04 of the Revised Code. 919

(DD) "Related member" has the same meaning as in section	920
5733.042 of the Revised Code.	921
(EE)(1) For the purposes of division (EE) of this section:	922
(a) "Qualifying person" means any person other than a	923
qualifying corporation.	924
(b) "Qualifying corporation" means any person classified for	925
federal income tax purposes as an association taxable as a	926
corporation, except either of the following:	927
(i) A corporation that has made an election under subchapter	928
S, chapter one, subtitle A, of the Internal Revenue Code for its	929
taxable year ending within, or on the last day of, the investor's	930
taxable year;	931
(ii) A subsidiary that is wholly owned by any corporation	932
that has made an election under subchapter S, chapter one,	933
subtitle A of the Internal Revenue Code for its taxable year	934
ending within, or on the last day of, the investor's taxable year.	935
(2) For the purposes of this chapter, unless expressly stated	936
otherwise, no qualifying person indirectly owns any asset directly	937
or indirectly owned by any qualifying corporation.	938
(FF) For purposes of this chapter and Chapter 5751. of the	939
Revised Code:	940
(1) "Trust" does not include a qualified pre-income tax	941
trust.	942
(2) A "qualified pre-income tax trust" is any pre-income tax	943
trust that makes a qualifying pre-income tax trust election as	944
described in division (FF)(3) of this section.	945
(3) A "qualifying pre-income tax trust election" is an	946
election by a pre-income tax trust to subject to the tax imposed	947
by section 5751.02 of the Revised Code the pre-income tax trust	948
and all pass-through entities of which the trust owns or controls,	949

directly, indirectly, or constructively through related interests, 950  
five per cent or more of the ownership or equity interests. The 951  
trustee shall notify the tax commissioner in writing of the 952  
election on or before April 15, 2006. The election, if timely 953  
made, shall be effective on and after January 1, 2006, and shall 954  
apply for all tax periods and tax years until revoked by the 955  
trustee of the trust. 956

(4) A "pre-income tax trust" is a trust that satisfies all of 957  
the following requirements: 958

(a) The document or instrument creating the trust was 959  
executed by the grantor before January 1, 1972; 960

(b) The trust became irrevocable upon the creation of the 961  
trust; and 962

(c) The grantor was domiciled in this state at the time the 963  
trust was created. 964

**Sec. 5747.81.** (A) If a taxpayer does not claim a deduction 965  
under this section for either the taxable year that includes the 966  
date of the individual's certificate of completion or the 967  
immediately following taxable year, the taxpayer may not claim a 968  
deduction under this section for any of the four years thereafter. 969  
For the purpose of developing and maintaining a highly qualified 970  
workforce and thereby to improve the economic welfare of all 971  
Ohioans, an individual who, on or after the effective date of the 972  
enactment of this section, completes an apprenticeship program 973  
registered with the apprenticeship council created by section 974  
4139.02 of the Revised Code may deduct from the individual's 975  
federal adjusted gross income for the taxable year the 976  
individual's wages, salaries, tips, deferred compensation, and 977  
other employee compensation, and net earnings from self-employment 978  
as defined in section 1402(a) of the Internal Revenue Code, to the 979  
extent such items are not otherwise deducted or excluded in 980



computing federal or Ohio adjusted gross income. The deduction may 981  
be made only for the individual's taxable year that includes the 982  
date of the individual's certificate of completion of 983  
apprenticeship issued pursuant to section 4139.05 of the Revised 984  
Code and for the ensuing four taxable years or for the taxable 985  
year immediately following the taxable year that includes the date 986  
of the certificate and the ensuing four taxable years. 987  
Certificates shall be retained for inspection by the tax 988  
commissioner until the expiration of four years after the end of 989  
the last taxable year the deduction is made. If a taxpayer does 990  
not claim a deduction under this section for either the taxable 991  
year that includes the date of the individual's certificate of 992  
completion or the immediately following taxable year, the taxpayer 993  
may not claim a deduction under this section for any of the four 994  
years thereafter. Any amount deducted pursuant to this section 995  
shall be included in Ohio adjusted gross income for the purpose of 996  
determining eligibility for the credit allowed under section 997  
5747.056 of the Revised Code. A taxpayer shall not claim a 998  
deduction under this section for any taxable year beginning on or 999  
after January 1, 2022. 1000

(B) If the tax commissioner finds that a taxpayer who claimed 1001  
a deduction under this section for any taxable year is not subject 1002  
to the tax levied under section 5747.02 of the Revised Code for 1003  
any taxable year for which the taxpayer is otherwise eligible to 1004  
claim the deduction, the commissioner shall collect, by assessment 1005  
issued under section 5747.13 of the Revised Code, the total amount 1006  
by which the deduction reduced the taxpayer's tax for all taxable 1007  
years for which the deduction was claimed. The tax reduction shall 1008  
be computed by adding the sum of the differences between the 1009  
following amounts for each taxable year the taxpayer claimed the 1010  
deduction: 1011

(1) The tax that would be due for the taxable year if the 1012

taxpayer's adjusted gross income included the amount deducted 1013  
under this section; 1014

(2) The tax paid by the taxpayer for that taxable year. 1015

**Sec. 5747.82.** (A) As used in this section, "institution of 1016  
higher education" means all of the following: 1017

(1) An institution of higher education, as defined in section 1018  
3345.12 of the Revised Code; 1019

(2) An institution authorized by the Ohio board of regents 1020  
under Chapter 1713. of the Revised Code to grant degrees and that 1021  
is accredited by the appropriate regional and professional 1022  
accrediting associations within whose jurisdiction it falls; 1023

(3) Private career schools holding program authorizations 1024  
issued by the state board of career colleges and schools under 1025  
division (C) of section 3332.05 of the Revised Code; 1026

(4) Private institutions exempt from regulation under Chapter 1027  
3332. of the Revised Code as prescribed in section 3333.046 of the 1028  
Revised Code. 1029

(B)(1) For the purpose of developing and maintaining a highly 1030  
qualified workforce and thereby to improve the economic welfare of 1031  
all Ohioans, an individual who graduates on or after the effective 1032  
date of the enactment of this section from an institution of 1033  
higher education with a baccalaureate degree may deduct from the 1034  
individual's federal adjusted gross income for the taxable year 1035  
the individual's wages, salaries, tips, deferred compensation, and 1036  
other employee compensation, and net earnings from self-employment 1037  
as defined in section 1402(a) of the Internal Revenue Code, to the 1038  
extent such items are not otherwise deducted or excluded in 1039  
computing federal or Ohio adjusted gross income. The deduction may 1040  
be made for the individual's taxable year that includes the date 1041  
of graduation and the ensuing four taxable years or for the 1042

taxable year immediately following the taxable year that includes 1043  
the date of graduation and the ensuing four taxable years. If a 1044  
taxpayer does not claim the deduction for either the taxable year 1045  
that includes the date of the individual's graduation or the 1046  
immediately following taxable year, the taxpayer may not claim the 1047  
deduction for any of the four taxable years thereafter. Evidence 1048  
of graduation shall be retained for inspection by the tax 1049  
commissioner until the expiration of four years after the end of 1050  
the last taxable year the deduction is made. Any amount deducted 1051  
pursuant to this section shall be included in Ohio adjusted gross 1052  
income for the purpose of determining eligibility for the credit 1053  
allowed under section 5747.056 of the Revised Code. A taxpayer 1054  
shall not claim the deduction for taxable years beginning on or 1055  
after January 1, 2022. 1056

(C) An individual who is allowed a deduction under division 1057  
(A)(31) of section 5747.01 of the Revised Code may elect to defer 1058  
the deduction for each taxable year that includes a date on which 1059  
the individual is enrolled full time in an institution of higher 1060  
education or any institution located outside Ohio designated as an 1061  
"institution of higher education" by the Ohio board of regents for 1062  
the purpose of this division to pursue a more advanced degree. 1063  
Evidence of such enrollment shall be retained for inspection by 1064  
the tax commissioner until the expiration of four years after the 1065  
end of the last taxable year the deduction is made. 1066

(D) The Ohio board of regents shall identify institutions of 1067  
higher education for the purpose of division (A) and (C) of this 1068  
section and provide a list of such institutions to the tax 1069  
commissioner. 1070

If the tax commissioner finds that a taxpayer who claimed a 1071  
deduction under this section for any taxable year is not subject 1072  
to the tax levied under section 5747.02 of the Revised Code for 1073  
any taxable year for which the taxpayer is otherwise eligible to 1074

claim the deduction, the commissioner shall collect, by assessment 1075  
issued under section 5747.13 of the Revised Code, the total amount 1076  
by which the deduction reduced the taxpayer's tax for all taxable 1077  
years for which the deduction was claimed. The tax reduction shall 1078  
be computed in the same manner as prescribed under division (B) of 1079  
section 5747.81 of the Revised Code for the deduction allowed by 1080  
that section. 1081

**Section 2.** That existing sections 4139.03, 4139.05, and 1082  
5747.01 of the Revised Code are hereby repealed. 1083

**Section 3.** The amendment or enactment by this act of sections 1084  
5747.01, 5747.81, and 5747.82 of the Revised Code applies to 1085  
taxable years beginning on or after January 1, 2012. 1086

**Section 4.** The Department of Job and Family Services may 1087  
publicize the deduction authorized by this act's enactment of 1088  
section 5747.81 of the Revised Code to apprenticeship programs and 1089  
the general public. 1090

The Board of Regents may publicize the deduction authorized 1091  
by this act's enactment of section 5747.82 of the Revised Code to 1092  
institutions of higher education and the general public. 1093