Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 66

123rd General Assembly
(As Introduced)

Reps. **Coughlin, Bateman, Brading, Britton, Buchy, Callender, Harris, Hood, Jordan, Netzley, O'Brien, Stapleton, Van Vyven, Williams, Young, Jordan, Evans, Schuck, Tiberi, Terwilleger, Trakas, Willamowski, Calvert**

BILL SUMMARY

- Exempts all capital gains from taxation under the Ohio personal income tax, beginning January 1, 1999.
- Applies to capital gains received by both individuals and estates.

CONTENT AND OPERATION

Capital gains taxation

(sec. 5747.01(A)(9) and (S)(7))

Current law

Currently, capital gains that are taxable under federal law are taxable under the Ohio income tax, with the exception of Ohio government-issued debt instruments.[1] Capital gains are profits made when a capital asset is sold or otherwise transferred to another. A capital asset is any property other than inventory, depreciable trade or business property, real property used in a trade or business, business receivables, certain copyrights and other intellectual property rights, and certain U.S. government publications (Internal Revenue Code sec. 1221). For most individuals, capital assets consist of securities, real estate (except the principal residence in most cases), or collectibles. If a taxpayer has more capital losses than capital gains, the net loss reduces the taxpayer's taxable income

[1] *Specifically, capital gains from "public obligations" are exempted. Public obligations are debt instruments issued by the State of Ohio, its subdivisions, or nonprofit corporations authorized to issue debt on behalf of the state or its subdivisions.*

for both federal and state tax purposes. If the asset is a personal asset, such as a car, as opposed to an investment asset, such as stock, no loss may be taken.

Unlike federal law, which distinguishes between long-term capital gains (for assets held more than one year) and short-term capital gains (for assets held up to one year) and taxes long-term gains at a lower rate, Ohio law taxes all capital gains at the same tax rate as ordinary income.

Capital gains are taxable whether received by individual taxpayers or by an estate while the estate is pending.

Proposed law

The bill would exempt all capital gains from taxation under the Ohio income tax, whether received by an individual or an estate. Any net capital loss reported on a taxpayer's federal income tax return would continue to have the effect of reducing the taxpayer's income that is taxable by Ohio.

The bill would apply to taxable years beginning on or after January 1, 1999.

HISTORY

ACTION	DATE	JOURNAL ENTRY
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