



Peter A. Cooper

*Bill Analysis*  
*Legislative Service Commission*

## **H.B. 564**

123rd General Assembly  
(As Introduced)

**Reps. Wilson, Gooding, Logan, Metelsky, Patton, Distel, Healy, Smith, Jones, DePiero, Ford, Luebbers, R. Miller, Roberts, Allen, Verich, Boyd, D. Miller, Barnes, Flannery, Sullivan, Barrett, Redfern, Hartnett, Stevens, Perry**

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### **BILL SUMMARY**

- Permits owners of small- and mid-size businesses to deduct up to \$10,000 in business profits in computing taxable personal income.
- Applies in 2001 and thereafter.

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### **CONTENT AND OPERATION**

#### **Deduction for profits of small- and mid-size businesses**

(secs. 5747.01(A)(20) and 5747.026)

The bill allows individuals who own a share of a trade or business to deduct up to \$10,000 in profits from the trade or business when computing the individual's Ohio taxable income. The trade or business must be organized as a sole proprietorship, a partnership, an S corporation, a limited liability company, or any other pass-through entity that is not classified as an association taxable as a corporation for federal income tax purposes. (Thus, dividends or gains from shares held in a traditional "C" corporation are not deductible.) The trade or business must have fewer than an average of 400 employees per month over the individual's taxable year.

The amount that an individual may deduct equals the individual's proportionate share of the trade's or business' profits. If the trade's or business' profits are greater than \$10,000, then the individual may deduct his or her proportionate share of \$10,000. For example, if an individual owns one-fourth of a partnership that has \$6,000 in profits, the individual may deduct \$1,500 (one-fourth of \$6,000); if the partnership instead had profits of \$12,000, the individual may deduct \$2,500 (one-fourth of \$10,000). To be deductible, profits must be

included in an individual's federal adjusted gross income and not otherwise deductible from Ohio adjusted gross income.

**Effective date**

The deduction may be taken for taxable years beginning in 2001 or thereafter. The effective date of section 5747.01 is delayed until July 1, 2000, only for the purpose of amending the version of that section that takes effect on that date; an interim version of the section is in effect until then.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	02-01-00	p. 1582

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