



H.B. 431

124th General Assembly
(As Introduced)

Reps. Seitz, Willamowski, Grendell, Setzer, G. Smith, Latta, Hartnett, Calvert, White, Olman, Raga, Patton, Evans, Collier, Schmidt, Aslanides, Wolpert, Allen, Jolivette, Britton, Schaffer, Webster, Brinkman, Flowers, Carano, Hagan

BILL SUMMARY

- Permits individuals who donate real property to the state, a political subdivision, or a federally tax-exempt charitable organization to claim a personal income tax deduction generally equal to the fair market value of the donated property.

CONTENT AND OPERATION

Income tax deduction for donated real property

(R.C. 5747.01(A)(20))

The bill permits individuals to claim a personal income tax deduction for contributing real property to the state, a state agency, a political subdivision, or an organization that qualifies for federal tax exemption as a 501(c)(3) organization.¹ In order to qualify for the deduction, the real property must be located in Ohio. The amount deductible equals the amount that may be deducted for federal income tax purposes. Generally, this equals the property's fair market value at the time it

¹ *To qualify as a so-called 501(c)(3) organization, an organization must be organized and operated exclusively for religious, charitable, scientific, literary, educational, or public safety testing purposes, or for the purpose of fostering national or international amateur sports competition or preventing cruelty to children or animals. None of the organization's net income (if any) may inure to the benefit of any private person, no substantial part of the organization's activities may consist of carrying on propaganda or otherwise attempting to influence legislation, and the organization may not participate in political campaigns for candidates for public office.*

is contributed; the exceptions are explained below, under "*Federal limits on deductible amounts*," below.

The deduction may be claimed for taxable years beginning in 2001 or thereafter.

For the purposes of the bill, "state agency" includes the General Assembly, all courts, and any department, division, institution, board, commission, authority, bureau, or other instrumentality of the state. "Political subdivision" includes counties, townships, municipal corporations, school districts, and any other "body corporate and politic responsible for governmental activities in a geographic area smaller than that of the state." (R.C. 5747.061.)

Federal limits on deductible amounts

Under some circumstances, the amount that a taxpayer may deduct for federal income tax purposes may be less than the fair market value of the property. First, the amount deducted for a contribution of real property that was used in a trade or business would equal the taxpayer's adjusted basis, rather than fair market value, if the sale of the property would have resulted in a long-term capital gain. Second, if the total of a taxpayer's contributions exceed 50% of the taxpayer's federal adjusted gross income, then the total deductible amount is reduced to the extent that it does not exceed that percentage. Some contributions are subject to even lower percentage-of-income limits: 30% and 20%, depending on whether the property is long-term capital gain property and what kind of organization the property is contributed to. But any reduction necessitated by the percentage limits may be carried over for up to five years.

Also, in order to be deductible under federal law, a contribution of real property generally must be a contribution of a taxpayer's entire interest in the property. A contribution of the right to use property, for example, generally is not deductible. But there are exceptions to this limitation if a contribution is made by a transfer in trust.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	11-06-01	p. 1078

H0431-I.124/jc