



Ohio Legislative Service Commission

Bill Analysis

Mackenzie Damon

S.B. 108

130th General Assembly
(As Introduced)

Sens. Jones, Hughes, Schaffer, Uecker

BILL SUMMARY

- Increases the income tax credit for the legal adoption of a minor child from \$1,500 to \$10,000 per child.
- Extends the carry-forward period for excess adoption tax credit amounts from two to five years.
- Increases the maximum income tax deduction allowed for contributions to a 529 college savings plan from \$2,000 to \$10,000 per year for each beneficiary.
- Repeals the income tax deduction for wagering losses.

CONTENT AND OPERATION

Increase of adoption income tax credit

Continuing law authorizes a nonrefundable income tax credit for a taxpayer who adopts a minor child. To qualify for the credit, the adoption must occur pursuant to Ohio's adoption law (R.C. Chapter 3107.) or the laws of another state or nation, if the adoption under those laws is recognizable under Ohio adoption law. Under current law, the credit equals \$1,500 for each minor child adopted by the taxpayer. The bill increases the amount of the credit to \$10,000.

Current law also provides that, if a taxpayer's tax liability for a taxable year is less than the amount of the credit, the taxpayer may carry forward the excess credit for up to two years. The bill extends this carry-forward period to five years.¹

¹ R.C. 5747.37 and 5747.98.

Application of the credit

The increased tax credit and extended carry-forward period applies to adoptions finalized during taxable years ending on or after the date the bill becomes effective.²

Increase of tax deduction for contributions to 529 college savings plans

Under continuing law, Ohio offers two tax-preferred college savings programs that allow individuals to purchase tuition units or make contributions to an investment account to pay for future college expenses. The Ohio Tuition Trust Authority operates one of the plans and contracts with an investment agent to operate the other plan. Both plans receive favorable tax treatment under Internal Revenue Code § 529. Earnings in 529 plans are not subject to federal income tax and, as long as they are used for qualified higher education expenses, withdrawals from 529 plans are exempt from both federal and state income taxation.

Continuing law also allows a state income tax deduction for purchases of tuition credits and contributions to a 529 college savings plan to the extent such purchases or contributions are included in the contributor's federal adjusted gross income. The credit is limited to \$2,000 per beneficiary per year for the taxpayer or the taxpayer and the taxpayer's spouse, regardless of whether the taxpayer and spouse file separate returns or a joint return. The bill increases this annual limit to \$10,000.

As under current law, the bill allows a taxpayer to carry forward any excess deduction amount to future years until the amount of the purchases and contributions has been fully deducted. The bill's increased deduction first applies to taxable years ending on or after the date the bill becomes effective.³

Repeal of wagering loss deduction

The bill repeals an income tax deduction for gambling losses that is scheduled to first apply in tax year 2013. The deduction is allowed for any loss from wagering transactions that is allowed as an itemized wagering loss deduction under Internal Revenue Code § 165 and that the taxpayer deducted in computing federal taxable income, to the extent the loss was not otherwise deducted or excluded in computing federal or Ohio adjusted gross income. Internal Revenue Code § 165 allows a taxpayer to deduct gambling losses to the extent of the taxpayer's gambling winnings during the taxable year.

² Section 3 of the bill.

³ R.C. 5747.70 and Section 3 of the bill.



The repeal applies to taxable years ending on or after the bill's effective date.⁴

HISTORY

ACTION	DATE
Introduced	04-16-13

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⁴ R.C. 5747.01 and Section 3.

