

Agriculture Industry Tax Issues – Sales and Use Tax

Presented by Barry Armstrong, Auditor



Department of
Taxation

Audit Division Mission

- Strategically ensuring compliance with Ohio tax law by conducting audit examinations while educating taxpayers of their tax responsibilities

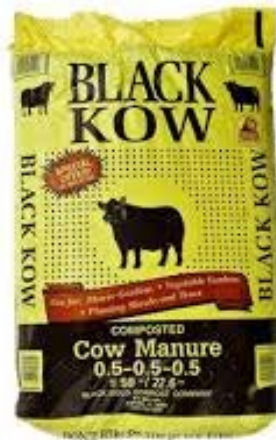


What Is Sales Tax?

- Sales tax is a "trust" tax
- A "trust" tax means the consumer (farmer) has entrusted this tax to retailers with the understanding that it will be reported and paid to the state of Ohio in a timely manner
- Vendors collect the tax (from the farmer) on taxable services and retail sales and remit the tax to the State as a “trustee” of the State of Ohio
- The current state rate is 5.75% and counties and regional transit authorities may each levy sales tax increments of .25% up to 1.5

Examples of a sale made by a farmer that would be taxable

- Beeswax Candles
- Fertilizer
- Christmas Trees



Consumers Use Tax

- Consumer's use tax must be paid on all taxable purchases of tangible personal property or services used, stored or otherwise consumed in Ohio unless Ohio sales tax has been paid to a vendor or the tax has been properly paid to another state.
- In general, if you have paid Ohio sales tax on the purchase of tangible personal property or a taxable service, you do not owe consumer's use tax on that transaction.
- Example: You purchase a computer from an out of state supplier who does not charge you Ohio sales tax, you would owe the use tax on that purchase.
- Example: Exterminating Service such as treating a barn for fly infestation. Note: Farmers have no statutory exemption on the purchase of taxable services.

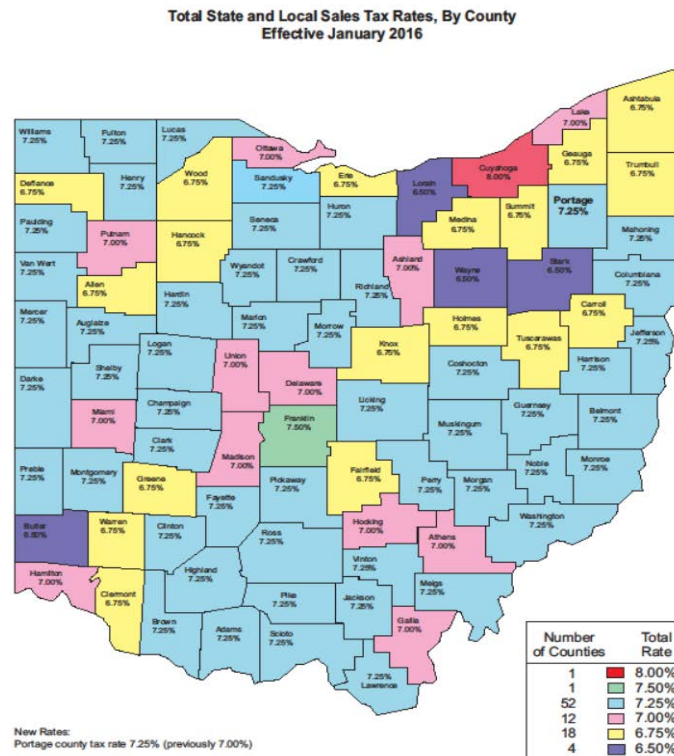
How Consumers could pay Use Tax

- If the proper amount of sales or use tax is not collected at the time of purchase, the amount of tax due can be paid directly by the consumer to the State of Ohio.

Methods to be used to pay use tax:

- The consumer can apply for a consumer's use tax account with the Department of Taxation and begin filing use tax returns.
- Voluntary payment of the tax by sending a payment of the amount due to the Ohio Department of Taxation. On the Ohio Income tax return or using the voluntary payment form VP USE

The Use Tax Rate is equal to the sales tax rate in effect in the county where the property is used or the benefit of the service is received



Ohio Department of Taxation
December 10, 2015

ORC 5739.01 Sales tax definitions

- (C) "Vendor" means the person providing the service or by whom the transfer effected or license given by a sale is or is to be made or given and, for sales described in division (B)(3)(i) of this section, ...”



ORC 5739.01 Sales tax definitions

- (D)(1) "Consumer" means the person for whom the service is provided, to whom the transfer effected or license given by a sale is or is to be made or given, to whom the service described in division (B)(3)(f) or (i) of this section is charged, or to whom the admission is granted.



farmer

Ohio Administrative Code 5703-9-23: Definition of a farmer

- For the purpose of this Rule, farming is defined as the occupation of tilling the soil for the production of crops as a business and shall include the raising of farm livestock, bees, or poultry, where the purpose is to sell such livestock, bees, or poultry, or the products thereof as a business.



Agriculture as defined Ohio Administrative 5703-9-23

Agriculture is defined as the cultivation of the soil for the purpose of producing vegetables and fruits and includes gardening or horticulture, together with the raising and feeding of cattle or stock for sale as a business.



Horticulture as defined Ohio Administrative 5703-9-23

- Horticulture is defined as the production of vegetables, vegetable plants, fruits, or nursery stock for sale as a business and shall include the operation of commercial vegetable greenhouses or nurseries.



Floriculture as defined Ohio Administrative 5703-9-23

- Floriculture is defined as the production of flowers and plants for sale as a business, either in the field or greenhouse.



Ohio's Top Five Crops & how they rank in the United States

1. Soybean – Ranked Sixth
2. Corn for Grain – Ranked Eighth
3. Greenhouse/Nursery – Ranked Seventh
4. Wheat – Ranked Twelfth
5. Hay – Ranked Twenty First

The above information is based upon cash receipts from 2011, provided by the United States Department of Agriculture.

Ohio's Top Livestock Products & how they rank in the United States

1. Milk – Ranked Eleventh
2. Hogs – Ranked Ninth
3. Eggs – Ranked Second
4. Beef Cattle – Ranked Twenty Fifth
5. Poultry- Ranked Ninth

The above information is based upon cash receipts from 2011, provided by the United States Department of Agriculture.

Farming, Agricultural, Horticultural or Floricultural Services

Persons engaged in rendering farming, agricultural, horticultural, or floricultural services for others are deemed to be engaged **directly** in farming, agriculture, horticulture or floriculture.

Note: If the service provider also provides non farming related services, such supplies and equipment used for those services would be taxable to the services provider.

Some Examples of Farming Services

- Milk Testing – Is essential component of any milk processing industry to ensure a quality milk product.



Some Examples of Farming Services

Fertilizer Services :

- Custom Application Row-Crops, Trees & Vines
- Prescription Fertilizer Blending
- Broadcast or Banded. Dormant, 'In- Season' -or- Pre-Plant Applications



Claiming Exemption from Sales Tax

- A farmer claiming exemption from sales tax would be required to provide a properly completed exemption certificate to his / her supplier of the exempt purchase.
- The form can be found on the Ohio Departments of Taxation Website. <http://www.tax.ohio.gov/>

5703-9-23 Personalty used or consumed in farming, agriculture, horticulture or floriculture

- Sales of articles of tangible personal property to farmers, agriculturists, horticulturists and floriculturists, who purchase such items for the **purpose of incorporating them into tangible personal property** to be produced for sale, are not subject to the tax.



5703-9-23 Personalty used or consumed in farming, agriculture, horticulture or floriculture

- Sales of articles to be **used or consumed** in farming, agriculture, horticulture, or floriculture, directly in producing tangible personal property for sale, are not subject to the tax.

Examples of Equipment Used in Crop Production

Power Supply:

- Tractors



Examples of Equipment Used in Crop Production

Soil Cultivation:

- Cultivators
- Plows
- Rotators
- Rollers



Examples of Equipment Used in Crop Production

Planting:

- Broadcast Seeder
- Planter
- Seed Drill
- Transplanter



Examples of Equipment Used in Crop Production

Irrigation:

- Drip Irrigation
- Sprinkler System
- Center Pivot Irrigation
- Hydroponics



Examples of Equipment Used in Crop Production

Harvesting / Post Harvest:

- Combine
- Conveyor
- Grain Dryer
- Baler



Examples of Livestock Equipment Used in Producing Livestock

- Livestock Water Equipment
- Medicators
- Livestock Feeders
- Livestock Coolers



5703-9-23 Personalty used or consumed in farming, agriculture, horticulture or floriculture

- Sales of articles to be used or consumed in farming, agriculture, horticulture, or floriculture directly in the production of tangible personal property **which will, in turn, be used directly in the production of products** of any of the activities defined above, for sale, are not subject to the tax.
- Example: Crop production equipment for the purpose of feeding livestock

5703-9-23 Personalty used or consumed in farming, agriculture, horticulture or floriculture

- Sales of articles to be incorporated, as a material or part, into the tangible personal property described in the preceding paragraph, are not subject to the tax.
- Example: Seed for the purpose of growing crops to feeding livestock

5703-9-23 Personalty used or consumed in farming, agriculture, horticulture or floriculture

- Sales of articles to be used or consumed in the **conditioning or holding of products produced for sale**, or produced for further use in production for sale, by farming, agriculture, horticulture or floriculture, are not subject to the tax.
- Example: Silos and Grain Dryers.

Portable Grain Bins Exempt to the Tax

- Pursuant to Ohio Revised Code (R.C.) [5739.01\(B\)\(5\)](#) the sale and erection or installation of portable grain bins are not construction contracts. Portable grain bins are not classified as real property.
- Since the sale and erection or installation of portable grain bins is never a construction contract, the transaction involving portable grain bins is a retail sale. "Portable grain bin" is defined in R.C. [5739.01\(B\)\(5\)\(b\)](#) as:
 - a structure that is used or to be used by a person engaged in farming or agriculture to shelter the person's grain and that is designed to be disassembled without significant damage to its component parts.
 - A farmer or other person engaged in agriculture as a business or a contractor employed by either to assemble the portable grain bin may purchase it without payment of the tax by presenting a certificate of exemption citing R.C. [5739.02\(B\)\(31\)](#). This exemption provides that the "sales and erection or installation of portable grain bins, as defined in division (B)(5)(b) of section 5739.01 of the Revised Code" are not subject to tax.



Field Tile Exempt to the tax

- R.C. 5739.01(B)(5) provides that the sale and installation of agricultural land tile is not a construction contract.
- "Agricultural land tile" incorporated or to be incorporated into a subsurface drainage system to land used or to be used directly in production by farming, agriculture, horticulture, or floriculture. The term **does not** include such materials when they are or are to be incorporated into a drainage system to a building or structure.
- This provision also applies when the agricultural land tile is to be placed in land leased to others who use the land for agricultural purposes and custom farming. A farmer or person engaged in agriculture or a contractor employed by either, when purchasing this tile, may cite R.C. [5739.02\(B\)\(30\)](#). This provision provides that the "Sales and installation of agricultural land tile, as defined in division [\(B\)\(5\)\(a\)](#) of section 5739.01 of the Revised Code" are not taxable. The person claiming the exemption must provide a certificate of exemption to its vendor when claiming this exemption. A contractor doing such work may use this exemption only for the materials placed in the ground not for any tools, supplies, equipment, or services to accomplish the work.



Livestock Structures

- R.C. 5739.01 defines that:
- [\(OO\)](#) "Livestock" means farm animals commonly raised for food or food production, and includes but is not limited to cattle, sheep, goats, swine, and poultry. "Livestock" does not include invertebrates, fish, amphibians, reptiles, horses, domestic pets, animals for use in laboratories or for exhibition, or other animals not commonly raised for food or food production.
- [\(PP\)](#) "Livestock structure" means a building or structure used exclusively for the housing, raising, feeding, or sheltering of livestock, and includes feed storage or handling structures and structures for livestock waste handling.



Horticulture Structures

[\(QQ\)](#) "Horticulture" means the growing, cultivation, and production of flowers, fruits, herbs, vegetables, sod, mushrooms, and nursery stock. As used in this division, "nursery stock" has the same meaning as in section 927.51 of the Revised Code.

[\(RR\)](#) "Horticulture structure" means a building or structure used exclusively for the commercial growing, raising, or overwintering of horticultural products, and includes the area used for stocking, storing, and packing horticultural products when done in conjunction with the production of those products.



Livestock and Horticulture Structures Exemption

- A person engaged in the business of horticulture or of producing livestock may purchase materials to be incorporated into a horticulture or livestock structure by presenting to a supplier a certificate of exemption citing R.C. [5739.02\(B\)\(36\)](#). This provision provides an exemption for "sales to a person engaged in the business of horticulture or producing livestock of materials to be incorporated into a horticulture structure or livestock structure."
- A construction contractor may claim an exemption under R.C. [5739.02\(B\)\(13\)](#) for "building and construction materials *** for incorporation into a horticulture structure or livestock structure for a person engaged in the business of horticulture or producing livestock." The contractor must provide its supplier with a certificate of exemption. This exemption does not apply to any tools, construction equipment, fuels, supplies or services used in the construction of the livestock structure or horticulture structure.



Farmer – Fences / Walls

Construction materials (fence posts, wire, etc.) purchased by a farmer for the construction of a fence (structure) used exclusively for the housing of cattle (livestock) used in food and/or food production are exempt from tax. Additionally, paint used on such structure to maintain its integrity would be exempt from tax. The exemption only applies when the buildings and structures are used exclusively for sheltering the livestock.



Exempt Spray Farm Vehicles Licensed to Operate on Highways

- A specifically designed vehicle that contains a tank, operated with a power take-off unit that is used to spray liquid fertilizers, pesticides, herbicides on farm land and crops.



Exempt Farm Vehicles / Trailers Licensed to Operate on Highways Transport Feed

- A vehicle / trailer owned by the farmer to primarily transport feed to the farm that would otherwise be contaminated if shipped commercially would be exempt.



Exempt Farm Vehicles / Trailers Licensed to Operate on Highways Transport Eggs

- Vehicles / Trailers owned and used by egg producers to ship eggs from the farm to market under refrigerated conditions.



Mowers / Bushhogs

- Mowers, tractors, bushhogs, and other equipment used primarily to maintain waterways for fields in active production are entitled to exception as being used or consumed directly in farming, agriculture, horticulture or floriculture (and also in providing services thereof).



All Terrain Vehicles - ATV

- Although most people's experience with ATV's is weighted towards the recreational aspect, it is conceivable that these vehicles can be utilized in many different farming applications. Some uses would be considered exempt and others taxable.
- The exemption would be based upon primary use.



Kawasaki Motor Co., Ltd.
Courtesy of Kawasaki

ATV List of Exempt Usages

- Sowing seed – To cultivate or stimulate growth of crops for sale.
- Spreading fertilizer – To cultivate or stimulate growth of crops for sale.
- Spraying fields for insects, weeds, rodents – To cultivate or stimulate growth of crops for sale.
- Hauling seed - Hauling or transporting of crops assume the activity is performed on the farm.
- Hauling hay and straw - Hauling or transporting of crops assume the activity is performed on the farm.
- Hauling feed for livestock - Hauling or transporting crops assume the activity is performed on the farm.
- Hauling grain from barn to barn - Hauling or transporting of crops assume the activity is performed on the farm.
- Loading & unloading manure from a livestock barn - Hauling or transporting of crops assume the activity is performed on the farm.
- Corralling loose livestock - Raising and feeding of cattle or stock for sale as a business."
- Loading and unloading seed, fertilizer Hauling or transporting of crops assume the activity is performed on the farm.
- Transporting harvested crops (within boundaries of the farm) Hauling or transporting of crops assume the activity is performed on the farm.
- Transporting farm machinery(i.e. wagons, implements within the boundaries of the farm) Hauling or transporting implements assume the activity is performed on the farm.

ATV List of Taxable Usages

- Picking up rocks from fields
- Pulling fence posts repair fencing, etc.
- Field inspections (for crop readiness, crop damage, pest)
- Transportation of farmer to field
- Soil sampling and testing
- Cutting and hauling wood
- Delivering meals, repair parts, or messages to the field
- Clearing land (cutting brush, pulling tree stumps)

Taxable Farm Structures

- Taxable Farm Structures: Buildings or structures NOT exclusively used in farming.

Taxable Farm Structures

- Sheds – Used to store tool, supplies and equipment.



Taxable Farm Structures

- Barns - Used to store tool, supplies and equipment



Taxable Farm Structures

- Fences – General fencing around farmers property.



Taxable Farm Structures

- Pole Barns - Used to store tool, supplies and equipment



Taxable Motor Vehicles Used By Farmers

- Automobiles – Registered for use on the highways.
- Trucks – Registered for use on the highways.
- ATV – If primarily used more than 50% of the time **NOT** directly in farming.



Examples: Taxable Farm Tools Used For Repair

Hand Tools – Used to repair equipment and structures.



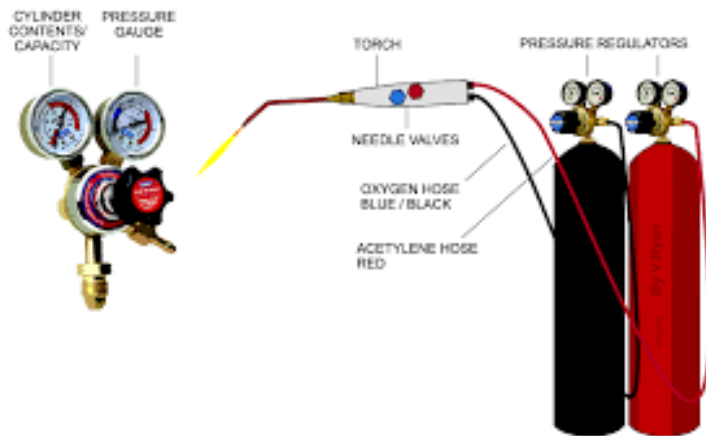
Examples: Taxable Farm Tools Used For Repair

- Power Tools – Used to repair equipment and structures.



Examples: Taxable Farm Tools Used For Repair

- Welding Equipment – Used to repair equipment and structures.



Examples of Taxable Supplies – Used by Farmers

- Plumbing & Electrical Supplies – For farm house or farm structures NOT exclusively used in farming.



Examples of Taxable Supplies – Used by Farmers

- Building Materials - For farm house or farm structures NOT exclusively used in farming.



Questions and Answers



Contacts

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Personal and School District Income Tax - Tax Credits & Business Income Deduction & Tax Calculation

Teakilla Phillips, Supervisor

Personal & School District Income Tax Division



Agenda

- Tax Credits
- Compensation & Guaranteed Payments
- 2013-2014 Small Business Deduction
 - In's & Out's & Stats
- SB 208 and Business Income Deduction 2015 & forward
 - New form IT BUS/New Calculation
- New form IT NRC
 - Allocating the business income deduction for purpose of nonresident credit calculation



HB 64 – Means Testing

For taxable years beginning in 2015 and thereafter, only taxpayers with Ohio Adjusted Gross Income less Exemptions of <\$100k are eligible for the following credits on the IT 1040:

- \$50 Senior Citizen credit
- Retirement Income credit
- Lump Sum Retirement credit
- Lump Sum Distribution credit

Note: \$50 Senior Citizen credit on the SD 100 is not subject to the income limitation as it is on the personal income tax return.

2015 PIT Forms



- New: Schedule of Credits
 - Encompasses credits from previous year IT 1040, Ohio Schedules B, C, D & E
- IT 2023 for personal income tax is new form IT NRC
- Retiring the IT SBD form (still available for 2013 & 2014)
 - New Business Income schedule for 2015 – IT BUS

Schedule of Credits

Nonrefundable Credits

1. Tax liability before credits (from Ohio IT 1040, line 8c)
2. Retirement income credit (**limit \$200 per return**). See the table in the instructions
3. Lump sum retirement credit (attach Ohio LS WKS, line 6)
4. Senior citizen credit (must be 65 or older to claim this credit; **limit \$50 per return**)
5. Lump sum distribution credit (must be 65 or older to claim this credit; attach Ohio LS WKS, line 3)
6. Child care and dependent care credit (see the worksheet in the instructions)
7. If Ohio IT 1040, line 5 is \$10,000 or less, enter \$88; otherwise, enter -0- (low income credit)
8. Displaced worker training credit (see the worksheet in the instructions) (**limit \$500 per taxpayer**)
9. Ohio political contributions credit (**limit \$50 per taxpayer**); and credit for contributions to candidates for Ohio statewide office or General Assembly
10. Income-based exemption credit (\$20 personal/dependent exemption credit)

Note:
Previously
Ohio
Schedule B
items. Lines
2-5 subject
to OAGI less
Exemptions
limitation

Previously a line item on
the IT 1040 form

Schedule of Credits (cont'd)

Previously
line items on
the IT 1040
form

- 13. Joint filing credit. See the instructions for eligibility and documentation requirements. This credit is for married filing jointly status only. _____% times amount on line 12 (limit \$650)
- 14. Earned income credit
- 15. Ohio adoption credit (limit \$10,000)

Previously
line items
on
Schedule E

- 16. Job retention credit, nonrefundable portion (enclose a copy of the credit certificate)
- 17. Credit for eligible new employees in an enterprise zone
- 18. Credit for certified ethanol plant investments
- 19. Credit for purchases of grape production property
- 20. Credit for investing in an Ohio small business
- 21. Enterprise zone day care and training credits
- 22. Research and development credit
- 23. Ohio historic preservation credit, nonrefundable carryforward portion

Schedule of Credits (cont'd)

Nonresident Credit

Date of nonresidency / / to / / State of residency

26. Enter the portion of Ohio adjusted gross income (Ohio IT 1040, line 3) that was not earned or received in Ohio. Attach Ohio IT NRC if required.....26.

27. Enter the Ohio adjusted gross income (Ohio IT 1040,
line 3) 27.

28. Divide line 26 by line 27 and enter the result here (four digits; do not round).
Multiply this factor by the amount on line 25 to calculate your nonresident credit.....

Previously
Schedule D;
no actual
changes to
the line
items

Schedule of Credits (cont'd)

Resident Credit

29. Enter the portion of Ohio adjusted gross income (Ohio IT 1040, line 3) subjected to tax by other states or the District of Columbia while you were an Ohio resident (limits apply).....29.
30. Enter the Ohio adjusted gross income (Ohio IT 1040, line 3)30.
31. Divide line 29 by line 30 and enter the result here (four digits; do not round). Multiply this factor by the amount on line 25 and enter the result here.....31.
32. Enter the 2015 income tax, less all credits other than withholding and estimated tax payments and overpayment carryforwards from previous years, paid to other states or the District of Columbia (limits apply).....32.
33. Enter the smaller of line 31 or line 32. This is your Ohio resident tax credit. If you filed a return for 2015 with a state(s) other than Ohio, enter the two-letter state abbreviation in the box(es) below

Previously
Schedule C;
no actual
changes to
the line
items

Schedule of Credits (cont'd)

Grants

34. Manufacturing equipment grant	34.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0
35. Total nonrefundable credits and grants (add lines 11, 24, 28, 33 and 34; enter here and on Ohio IT 1040, line 9)	35.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0

Refundable Credits

36. Historic preservation credit	36.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0
37. Business jobs credit	37.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0
38. Pass-through entity credit	38.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0
39. Motion picture production credit	39.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0
40. Financial Institutions Tax (FIT) credit	40.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0
41. Total refundable credits (add lines 36 through 40; enter here and on Ohio IT 1040, line 16)	41.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0	0

Line 34 and lines 36 – 40 (previously line items on the IT 1040 form)

Compensation & Guaranteed Payments



- Ohio Revised Code Section 5733.40(A)(7)
 - “Guaranteed payments or compensation paid to investors by a qualifying entity” are considered a distributive share of income.
 - Applies only to payments or such compensation paid to an “investor” who holds at least a 20% direct or indirect interest in the profits or capital....”

Compensation & Guaranteed Payments



PLEASE NOTE:

- Compensation or guaranteed payments to a **LESS THAN 20%** owner are nonbusiness income
 - Amounts are not subject to apportionment
 - Amounts cannot be claimed on the SBD or the IT BUS

2013 – 2014 Business Income Deduction

Deduct 50%-75% of the taxpayer's *Ohio small business investor income*

- portion of a taxpayer's AGI that is business income reduced by business deductions and apportioned to Ohio to the extent not otherwise deducted or excluded in computing federal or Ohio AGI for the taxable year

2014 Calendar Year Stats

Small Business Deduction Amount	Summary	Summary
Over 100k	24,887	\$3,032,808,152
90k to 100k	3,102	\$294,152,900
80k to 90k	3,910	\$331,943,793
70k to 80k	4,861	\$363,763,393
60k to 70k	8,135	\$522,924,288
50k to 60k	8,642	\$473,121,160
40k to 50k	12,211	\$546,109,926
30k to 40k	18,397	\$637,066,119
20k to 30k	29,707	\$728,435,246
10k to 20k	58,135	\$832,358,789
5k to 10k	58,013	\$420,909,981
1k to 5k	99,548	\$264,164,453
0k to 1k	75,807	\$30,674,861
	405,355	\$8,478,433,061

2015 Calendar Year Stats

Small Business Deduction Amount	Summary	Summary
Over 100k	38,506	\$6,182,192,468
90k to 100k	5,714	\$540,491,917
80k to 90k	5,443	\$461,858,754
70k to 80k	6,899	\$516,598,092
60k to 70k	8,829	\$572,068,083
50k to 60k	11,506	\$630,282,971
40k to 50k	15,860	\$709,021,191
30k to 40k	23,218	\$804,718,508
20k to 30k	36,975	\$908,004,666
10k to 20k	70,448	\$1,011,345,164
5k to 10k	65,100	\$475,514,183
1k to 5k	107,723	\$286,512,076
0k to 1k	71,475	\$30,524,028
	467,696	\$13,129,132,101

2015 Business Income Deduction

SB 208

- Deduct from the portion of an individual's adjusted gross income that is business income, to the extent not otherwise deducted or excluded in computing federal or Ohio AGI for the taxable year
- No Related-Member add-back

Business Income Deduction

For 2015

- Deduction is the lesser of:
 - 75% of business income with Max:
 - \$93,750 for “MFS” taxpayers
 - \$187,500 for “Single” or “MFJ” taxpayers

For 2016 & thereafter

- Deduction is 100% of first \$250,000 business income
- Taxpayers who file “MFS” are limited to \$125,000 per taxpayer

What's New?



- IT BUS Included in software packages
 - Should not pull total directly from Federal schedules
 - May not be 100% Business income
 - Should populate Entity info.

Business Income tax table

2015 Income Tax Table 3

The business income tax table reflects the maximum 3% marginal rate.

You must round your tax to the nearest dollar.

Ohio Taxable Business Income Base (from line 12 of Ohio IT BUS)	2015 Ohio Business Income Tax (from line 13 of Ohio IT BUS and IT 1040 line 8b)
0 – \$ 5,200	0.495% of Ohio taxable income
\$ 5,200 – \$10,400	\$ 25.74 plus 0.990% of the amount in excess of \$5,200
\$ 10,400 – \$15,650	\$ 77.22 plus 1.980% of the amount in excess of \$10,400
\$ 15,650 – \$20,900	\$181.17 plus 2.476% of the amount in excess of \$15,650
\$ 20,900 – \$41,700	\$311.16 plus 2.969% of the amount in excess of \$20,900
\$ 41,700 – or more	\$928.71 plus 3.000% of the amount in excess of \$41,700

- 2016 – No marginal tax table – all business income remaining after deduction taxed at 3% flat rate

IT BUS (Part 1) – Business Income from Federal Schedules

Part 1 – Business Income From IRS Schedules

Note: Do not include amounts listed on these IRS schedules that are nonbusiness income. See R.C. 5747.01(C). If the amount on a line is negative, place a negative sign (“-”) in the box provided.

1. Schedule B – Interest and Ordinary Dividends ☐
2. Schedule C – Profit or Loss From Business (Sole Proprietorship) ☐
3. Schedule D – Capital Gains and Losses..... ☐
4. Schedule E – Supplemental Income and Loss to include guaranteed payments and/or compensation from each pass-through entity in which you have at least a 20% direct or indirect ownership interest. **Note:** Reciprocity agreements do not apply..... ☐
5. Schedule F – Profit or Loss From Farming ☐
6. Other items of income and gain separately stated on federal Schedule K-1 and miscellaneous federal income tax adjustments, if any ☐
7. Total of business income (add lines 1 through 6)..... ☐

IT BUS (Part 2) – Business Income Deduction

8. All business income (enter the lesser of line 7 above or Ohio IT 1040, line 1; cannot exceed federal adjusted gross income). If -0- or negative, stop here and do not complete Part 3.....

9. Multiply line 8 by 75% (.75) and enter here.....

10. Enter \$187,500 if filing status is single or married filing jointly; OR

Enter \$93,750 if filing status is married filing separately

11. Enter lesser of line 9 or line 10. Enter here and on Ohio Schedule A, line 12

IT BUS (Part 3) – Taxable Business Income

Note: If Ohio IT 1040, line 5 = -0-, do not complete Part 3.

- 12. Line 8 minus line 11 (if less than -0-, enter -0-).....
- 13. Taxable business income (enter the lesser of line 12 above or Ohio IT 1040, line 5).
Enter here and on Ohio IT 1040, line 6
- 14. Business income tax liability (see instructions for business income tax tables). Enter here
and on Ohio IT 1040, line 8b



Form IT BUS

	IT 1040 Return			IT BUS	
	FAGI	500,000		Line 8 - Totaling 1-6	500,000
	Sched. A deductions	<u>187,500</u>		Line 11 Bus. deduction	<u>187,500</u>
	OAGI	312,500		Line 12 - Taxable Bus Income	312,500
	Exemptions	<u>1,700</u>		Line 13 - Lesser of Line 12	312,500
IT 1040 Line 5	Ohio Income tax base	310,800		OR	
				IT 1040 line 5	310,800

IT BUS (Part 4) – Business Entity

1. Name of entity

FEIN/Social Security no.

Percentage of ownership

2. Name of entity

FEIN/Social Security no.

Percentage of ownership

3. Name of entity

FEIN/Social Security no.

Percentage of ownership

Scenario 1 – Business/Non-business Income

John files “Single” and reports the following income:

Fed. Schedule	Total Inc.	Business Inc.
B	30,000	20,000
C	75,000	75,000
D	20,000	15,000
	\$125,000	\$110,000

- 2015 Business Income deduction: \$ 82,500
- 2016 Business Income deduction: \$110,000

Scenario 2 – Business/Non-Business Income & Guaranteed Payment $\geq 20\%$

- John files “MFJ” and reports the following income:

Fed. Schedule	Total Inc.	Business Inc./Guaranteed Pymts
B	50,000	30,000
D	20,000	15,000
E	175,000	*50,000
	\$245,000	\$95,000

* $\geq 20\%$ ownership of PTE

2015 Business Income Deduction: \$ 71,250

2016 Business Income Deduction: \$ 95,000

Scenario 3 - Business/Non-business Income, Guaranteed Payment <20%

John files “MFJ” and reports the following income:

Fed. Schedule	Total Inc.	Business Inc./Guaranteed Pymts
B	50,000	30,000
D	20,000	15,000
E	175,000	*50,000
	\$245,000	\$45,000

* < 20% ownership of PTE

2015 Business Income Deduction: \$ 33,750

2016 Business Income Deduction: \$ 45,000

Apportionment & Business Income Deduction

- For PTE – IT 2023
 - Still valid form for non-resident credit
- For PIT
 - No apportionment on the IT BUS form
 - New form IT NRC
 - Page 2 is business income apportionment
 - Still requires a separate page 2 for each entity
 - However, only 1 IT BUS required unlike the multiple IT SBD's



New Apportionment/Allocation Form IT NRC

Individual income tax deductions moved
to the nonbusiness section

Part I – Nonbusiness Income and Deductions

B. Deductions from Income

13. Educator expenses	13.	00	00	00
14. Certain business expenses	14.	00	00	00
15. Health savings account deduction	15.	00	00	00
16. Moving expenses	16.	00	00	00
17. Deductible self-employment tax	17.	00	00	00
18. Self-employed SEP, SIMPLE, and qualified plans	18.	00	00	00
19. Self-employed health insurance deduction	19.	00	00	00
20. Penalty on early withdrawal of savings	20.	00	00	00
21. Alimony paid	21.	00	00	00
22. IRA deduction	22.	00	00	00
23. Student loan interest deduction	23.	00	00	00
24. Tuition and fees	24.	00	00	00
25. Domestic production activities deduction	25.	00	00	00
26. Other deductions	26.	00	00	00
27. Total deductions (add lines 13-26)	27.	00	00	00
28. Net nonbusiness income (line 12 minus line 27; enter here and in Part V, line 2, columns A, B, and C, respectively)	28.	00	00	00

IT NRC – Non-Resident Credit (formerly IT 2023 for PIT only)

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	00	00	00
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	00	00	00
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	00	00	00
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	00	00	00
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	00	00	00
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	00	00	00

Scenario 4 – Ohio & Non-Ohio Business Income & Non-Resident Credit

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	300,000 00	100,000 00	400,000 00
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	0 00	0 00	0 00
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	300,000 00	100,000 00	400,000 00
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0 00	0 00	0 00
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	187,500 00	0 00	187,500 00
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	112,500 00	100,000 00	212,500 00

Scenario 5 – Ohio & Non-Ohio Business Income All & Non-Resident Credit

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	50,000 00	50,000 00	100,000 00
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	80,000 00	0 00	80,000 00
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	130,000 00	50,000 00	180,000 00
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0 00	0 00	0 00
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	50,000 00	25,000 00	75,000 00
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	80,000 00	25,000 00	105,000 00

Scenario 6 – Non-Ohio Business Income & Non-Resident Credit

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	0 00	200,000 00	200,000 00
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	125,000 00	0 00	125,000 00
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	125,000 00	200,000 00	325,000 00
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0 00	0 00	0 00
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	0 00	150,000 00	150,000 00
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	125,000 00	50,000 00	175,000 00

Scenario 7 – Non-Ohio Business Income, Ohio Wages & Non-Resident Credit & Other Schedule A Deductions

Part V – Summary of Business and Nonbusiness Income

	(A) Ohio Portion	(B) Non-Ohio Portion	(C) Total
1. Total business income from Part IV, line X (enter in A, B, and C respectively).....1.	0 00	200,000 00	200,000 00
2. Total nonbusiness income from Part I, line 28 (enter in A, B and C respectively)2.	125,000 00	0 00	125,000 00
3. Total business and nonbusiness income (add lines 1 and 2, by column)3.	125,000 00	200,000 00	325,000 00
4. Total Ohio Schedule A additions from form IT 1040, line 2a (see Note #1 below)4.	0 00	0 00	0 00
5. Total Ohio Schedule A deductions from form IT 1040, line 2b (see Note #1 below)5.	10,000 00	150,000 00	160,000 00
6. Line 3 plus line 4 minus line 5, by column (see Notes #2, #3 and #4 below).....6.	115,000 00	50,000 00	165,000 00

Contact Us & Information

- Information for Personal & School District Income Tax
 - 800-282-1780 (General #)
 - 614-728-1055 (Tax Practitioner #)
 - Via e-mail at tax.ohio.gov “Contact Us”
 - Survey for your feedback of how we are doing
- Sign up for Tax alerts
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