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S.B. 9
136th General Assembly

Bill Analysis

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Version: As Passed by the Senate

Primary Sponsor: Sen. Blessing

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SUMMARY

- Incorporates changes to federal tax law taking effect since March 15, 2023, into Ohio income tax law.
- Declares an emergency.

DETAILED ANALYSIS

Incorporation of Internal Revenue Code changes

The bill incorporates into Ohio tax law recent changes to the Internal Revenue Code (IRC) taking effect after March 15, 2023.¹ The incorporated changes include those made by the “Federal Disaster Tax Relief Act of 2023,” H.R. 5863 of the 118th Congress, in December 2024. These changes may directly affect the tax base of Ohio income tax taxpayers by adjusting federal adjusted gross income (FAGI), the starting number for determining a taxpayer’s Ohio taxable income.² The incorporated changes may also affect the tax base of school districts levying an income tax on the basis of FAGI.³

The most significant change in the Federal Disaster Tax Relief Act affecting Ohio law involves the tax treatment of certain relief payments. Specifically, the act excludes from a taxpayer’s gross income qualified disaster relief payments for losses resulting from the East Palestine train derailment on February 3, 2023. This exclusion is similar to a provision in Ohio law enacted by the most recent main operating budget.⁴

¹ R.C. 5701.11(A).

² R.C. 5747.01(A), not in the bill.

³ R.C. 5748.01(E), not in the bill.

⁴ R.C. 5747.01(A)(39), see H.B. 33 of the 135th General Assembly.

Reason for incorporation

Ohio tax law incorporates by reference parts of the IRC and other federal laws. Periodic amendments to federal law do not become part of Ohio law unless they are incorporated by an act of the General Assembly.⁵ The incorporation applies to only general, undated references to the IRC or other federal laws, and does not apply to references that specify a date.

If federal tax law amendments are not incorporated, an affected taxpayer would have to adjust the taxpayer's federal adjusted gross income or taxable income, either by adding or subtracting the relevant amounts, in order to compute the taxpayer's Ohio tax liability.

Alternative tax law election

The bill also revises Ohio tax law with respect to an election available to taxpayers whenever federal amendments become incorporated. Current law authorizes a taxpayer whose taxable year ended after February 17, 2022, and before March 15, 2023, to irrevocably elect to apply to the taxpayer's state tax calculation the federal tax laws that applied to that taxable year. (These two dates are the dates of the two most recent incorporations.) The election was available to taxpayers who were subject to the personal income tax and to electric and telephone companies that were subject to municipal income taxes.

The bill allows this election to be made for a taxpayer's taxable year ending after March 15, 2023, but before the incorporation provision's effective date. The bill retains a provision specifying that similar elections made under prior versions of the law remain effective for the taxable years to which the previous elections applied.⁶

HISTORY

Action	Date
Introduced	01-22-25
Reported, S. Ways & Means	02-11-25
Passed Senate (31-0)	02-12-25

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⁵ See *State of Ohio v. Gill*, 63 Ohio St.3d 53 (1992).

⁶ R.C. 5701.11(B).