

_____ moved to amend as follows:

1 In line 117 of the title, after "122.4077," insert
2 "122.851,"

3 In line 275, after "122.4077," insert "122.851,"

4 After line 5931 insert:

5 "Sec. 122.851. (A) As used in this section:

6 (1) "Venture capital operating company" has the same
7 meaning as in 29 C.F.R. 2510.3-101.

8 (2) "Ohio venture capital operating company" means a
9 venture capital operating company certified by the director of
10 development as having met the requirements prescribed by
11 division (B) of this section. A venture capital operating
12 company is an Ohio venture capital operating company only for so
13 long as the certification is valid.

14 (3) "Ohio business" means a business that, in either the
15 calendar year in which a capital gain from the business is
16 recognized by the Ohio venture capital operating company or its
17 direct or indirect investors or the calendar year in which the
18 Ohio venture capital operating company distributes an equity
19 interest or security in the business, has its headquarters in

20 this state and employs more than one-half of the total number of
21 its full-time equivalent employees in this state. For the
22 purpose of this section, an employee is employed in this state
23 if the business is required to withhold income tax under section
24 5747.06 of the Revised Code for fifty per cent or more of the
25 compensation paid to the employee in either the calendar year in
26 which the Ohio venture capital operating company or its direct
27 or indirect investors recognize a capital gain from the business
28 or the calendar year in which the Ohio venture capital operating
29 company distributes an equity interest or security in the
30 business, as applicable.

31 (4) "Qualifying interest" means a direct or indirect
32 ownership interest acquired through an investment of cash or
33 cash equivalent made in, or the provision of services to, a
34 venture capital operating company during the period for which it
35 was certified as an Ohio venture capital operating company.

36 (B)(1) A venture capital operating company may apply to the
37 director of development for certification as an Ohio venture
38 capital operating company if it manages, or has capital
39 commitments of, at least fifty million dollars in active assets
40 and at least two-thirds of its managing and general partners are
41 residents of Ohio under division (I) of section 5747.01 of the
42 Revised Code. The director, in consultation with the tax
43 commissioner, shall prescribe the form and manner of the

44 application and the information or documentation required to be
45 submitted with the application.

46 (2) The director shall review and make a determination with
47 respect to each application submitted under this division within
48 sixty days of receipt. The director shall grant certification to
49 any applicant that meets the criteria prescribed by this
50 division. The director shall decline certification of any
51 applicant that does not meet such criteria. The director shall
52 notify the applicant and the tax commissioner of the director's
53 determination in writing.

54 (C)(1) Certification as an Ohio venture capital operating
55 company is valid for as long as the company continues to qualify
56 as a venture capital operating company and meets the criteria
57 prescribed by division (B)(1) of this section.

58 (2) A company that no longer qualifies as a venture capital
59 operating company or no longer meets the criteria prescribed by
60 division (B)(1) of this section shall notify the director within
61 thirty days of the date the company ceases to qualify.

62 (3) Upon receiving such a notification or upon otherwise
63 discovering that an Ohio venture capital operating company no
64 longer qualifies for certification, the director shall issue a
65 written notice of revocation to the venture capital operating
66 company and the tax commissioner. The notice shall state the
67 effective date of the revocation, which shall be the date the

68 company ceased to qualify for certification as an Ohio venture
69 capital operating company.

70 (4) An Ohio venture capital operating company receiving
71 such a notice may contest the director's decision to revoke its
72 certification or the effective date of that revocation by
73 submitting additional information or documentation to the
74 director and requesting reconsideration in writing within thirty
75 days of the notice of revocation based on that information or
76 documentation. The director shall review and evaluate any such
77 requests within thirty days of receipt. The director shall
78 notify the company and tax commissioner in writing of the
79 director's decision on the request, which shall not be subject
80 to appeal or further review.

81 (D)(1) On or after the first day of January and on or
82 before the first day of February of each year, a company that is
83 certified as an Ohio venture capital operating company shall
84 provide the following information, on forms prescribed by the
85 director of development, to the director and the tax
86 commissioner:

87 (a) The name, social security or federal employer
88 identification number, and ownership percentage of each person
89 with a qualifying interest in the company;

90 (b) The amount of capital gains generated during the
91 portion of the previous calendar year during which the company
92 was certified as an Ohio venture capital operating company;

93 (c) A description of the company's investments that
94 generated the capital gains described in division (D)(1)(b) of
95 this section, including the date of sale and whether the
96 investment was in an Ohio business;

97 (d) The amount of, and basis in, any equity interests or
98 securities distributed to each investor, arranged by entity,
99 while the company was certified as an Ohio venture capital
100 operating company and whether the entity is an Ohio business;

101 (e) Any other information the director, in consultation
102 with the tax commissioner, considers relevant and necessary to
103 administer the deduction allowed under division (A)(35) of
104 section 5747.01 of the Revised Code.

105 (2) The director shall review the information submitted
106 under division (D)(1) of this section by an Ohio venture capital
107 operating company within sixty days of receipt. If the company
108 generated capital gains that qualify for the deduction allowed
109 under division (A)(35) of section 5747.01 of the Revised Code or
110 distributed equity interests or securities that, when sold, will
111 qualify for the deduction once income is recognized from its
112 disposition, the director shall issue a certificate to the

113 company. The certificate shall include a unique number and the
114 following information:

115 (a) The total amount of capital gains generated during the
116 portion of the year during which the company was certified as an
117 Ohio venture capital operating company;

118 (b) The portion of the capital gains attributable to the
119 company's investments in Ohio businesses; and

120 (c) The total amount of, and basis in, any equity interests
121 or securities distributed during the portion of the year during
122 which the company was certified as an Ohio venture capital
123 operating company;

124 (d) The portion of the distributed equity interests or
125 securities attributable to the company's investments in Ohio
126 businesses;

127 (e) The portion of the amounts described in divisions
128 (D) (2) (a) and (b) of this section attributable to each
129 individual with a qualifying interest in the company;

130 (f) Any other information the director or tax commissioner
131 considers necessary for the administration of the deduction
132 allowed under division (A) (35) of section 5747.01 of the Revised
133 Code.

134 (E) An Ohio venture capital operating company shall provide
135 each person with a qualifying interest in the company with a
136 copy of the certificate issued under division (D) of this

137 section and any other documentation necessary to compute the
138 adjustments under division (A)(35) of section 5747.01 of the
139 Revised Code. A pass-through entity that receives a certificate
140 issued under this division from an Ohio venture capital
141 operating company shall provide its investors with a copy of the
142 certificate and any other documentation necessary to compute the
143 adjustments under division (A)(35) of section 5747.01 of the
144 Revised Code.

145 A taxpayer claiming a deduction under division (A)(35)(a)
146 of section 5747.01 of the Revised Code shall provide, upon
147 request of the tax commissioner, a copy of that certificate. The
148 taxpayer shall retain a copy of the certificate for four years
149 from the later of the final filing date of the return on which
150 the deduction was claimed or the date the return on which the
151 deduction was claimed is filed.

152 (F) The director of development, in consultation with the
153 tax commissioner, may adopt rules in accordance with Chapter
154 119. of the Revised Code as are necessary to administer this
155 section."

156 In line 56145, after the first comma insert "deductions,"

157 In line 56154, after the first comma insert "deductions,"

158 After line 58690 insert:

159 "(35)(a) For taxable years beginning in or after 2026,
160 deduct, to the extent not otherwise deducted or excluded in

161 computing federal or Ohio adjusted gross income for the taxable
162 year:

163 (i) One hundred per cent of the capital gain received by
164 the taxpayer in the taxable year from a qualifying interest in
165 an Ohio venture capital operating company attributable to the
166 company's investments in Ohio businesses during the period for
167 which the company was an Ohio venture operating company; and

168 (ii) Fifty per cent of the capital gain received by the
169 taxpayer in the taxable year from a qualifying interest in an
170 Ohio venture capital operating company attributable to the
171 company's investments in all other businesses during the period
172 for which the company was an Ohio venture operating company.

173 (b) Add amounts previously deducted by the taxpayer under
174 division (A) (35) (a) of this section if the director of
175 development certifies to the tax commissioner that the
176 requirements for the deduction were not met.

177 (c) All terms used in division (A) (35) of this section have
178 the same meanings as in section 122.851 of the Revised Code.

179 (d) To the extent a capital gain described in division
180 (A) (35) (a) of this section is business income, the taxpayer
181 shall apply that division before applying division (A) (28) of
182 this section."

183 The motion was _____ agreed to.

184

SYNOPSIS

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Venture capital gains income tax deduction

186

R.C. 122.851, 5703.21(C) (16), and 5747.01(A) (35)

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For taxable years beginning in and after 2026, authorizes an income tax deduction for all or a portion of capital gains received by investors in certain Ohio-based "venture capital operating companies" (VCOCs) certified by the Director of Development. The amount of gains that may be deducted depends on whether or not they are attributable to the VCOC's investments in qualifying Ohio businesses.