2014 Ohio Small Business Investor Income Deduction

Instructions for Apportioning Business Income Solely for Purposes of Computing the Small Business Investor Income Deduction

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Ohio | Department of Taxation

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Ohio schedule IT SBD is solely for use in determining the small business investor income deduction. See Ohio Revised Code section (R.C.) 5747.01(A)(31).

Do not use this schedule to compute Ohio adjusted gross income. The schedule and instructions apply to resident, part-year resident and nonresident individuals who have business income from Ohio sources. If your only source of Ohio income is wages paid by an unrelated employer, you are not eligible to use this schedule.

If your software program allows for a PDF attachment, the IT SBD schedule should be attached to the electronic submission as a PDF attachment. If your software does not allow for PDF attachments, please keep the IT SBD schedule(s) with your record as it may be requested upon review of the return. If you are submitting a paper return, submit the IT SBD with the return.

Important: This schedule assumes that the taxpayer has business income from only one entity/business group. Taxpayers who have income/gain from more than one entity/business group should complete a separate IT SBD schedule for each entity/business group**.**

Pass-through entities and trusts should not use this schedule.

Definitions

Business Income and Nonbusiness Income

"Business income" means income, including gain or loss, arising from transactions, activities and sources in the regular course of a trade or business and includes income from real, tangible and intangible property if the acquisition, rental, management and disposition of the property constitute integral parts of the regular course of a trade or business operation. Also, "business income" consists of income, including gain or loss, from a partial or complete liquidation of a business, including, but not limited to, gain or loss from the sale or other disposition of goodwill (R.C. 5747.01(B)).

In general, income, deductions, gains and losses recognized by a sole proprietorship or a pass-through entity are items of business income that the individual must apportion using Part I, C of Ohio Schedule IT SBD.

"Nonbusiness income" means all income other than business income and may include, but is not limited to, compensation, rents and royalties from real or tangible personal property, capital gains, interest, dividends, distributions, patent or copyright royalties, and lottery winnings, prizes and awards (R.C. 5747.01(C)). Nonbusiness income should be excluded from the figures reported on this schedule.

See *Kemppel v. Zaino*, 91 Ohio St.3d 420 (2001).

R.C. 5747.21 and 5747.22 Apportionment of Business Income or Deductions (See Instructions for line 11 and Part II on Schedule)

The amount of business income and deductions apportioned to Ohio is determined by multiplying the net business income by an Ohio apportionment ratio, which is the sum of the property, payroll and sales factors (please refer to the Part II apportionment formula for business income on Ohio Schedule IT SBD). Please note that the net business income consists only of those items of income and deduction that would be included in Ohio adjusted gross income (Ohio form IT 1040, line 3) if not for this deduction.

R.C. 5747.22(B) and (C) Apportionment and Allocation of Income and Deductions of Pass-Through Entities

Apportionment of Pass-Through Entity Business Income

An individual taxpayer's distributive or proportionate share of the business income and deductions of a pass-through entity shall be apportioned to Ohio in the hands of the pass-through entity according to the instructions for apportioning business income. Such business income and deductions thus apportioned to Ohio are then allocated to the investors in proportion to their right to share in such business income. In the case of this schedule in calculating the small business investor income deduction, the individual's net business income is therefore apportioned using the ratio calculated in Part II as if it were in the hands of the pass-through entity.

Business Income (Part I, A)

Line 1b – Compensation Received from a Pass-Through Entity

Guaranteed payment or compensation paid by a pass-through entity (S corporation, partnership, limited liability company treated as a partnership for income tax purposes, etc.) having nexus with Ohio to an investor holding at least a 20% direct or indirect interest in the entity is considered a distributive share of income and treated as business income subject to apportionment for purposes of computing the individual's small business investor income deduction (R.C. 5733.40(A)(7)). Therefore, include on this line the amount of the guaranteed payment or compensation amount you received if you are an investor holding at least a 20% direct or indirect interest in the entity. The "reciprocity agreements" between Ohio and neighboring states do not apply to full-year nonresidents directly or indirectly owning at least 20% of the stock or other equity of a pass-through entity.

Line 2 – Related Member Add-back

R.C. 5733.40(A)(3) and (4) disallow expenses and losses incurred in connection with all direct and indirect transactions between each pass-through entity and its related members. "Related member" is defined in R.C. 5733.042(A)(6) and 5733.40(P). As such, you must add back on Part I, line 2 your distributive/proportionate share of such expenses and losses. You must also enter this amount on Ohio form IT 1040 Schedule A line 34 as a section 5733.40(A) pass-through entity adjustment. However, do not add back on this line or include on Ohio form IT 1040 Schedule A line 34 the following: (i) amounts shown on line 1 of this schedule or (ii) expenses or losses incurred in connection with sales of inventory to the extent that the cost of the inventory and the loss incurred were calculated in accordance with Internal Revenue Code sections (I.R.C.) 263A and 482.

Line 3 – Ordinary Income or Loss
Include ordinary income or loss from business activities to the extent not shown on line 1a and/or line 1b. Include only income that is business income as defined by R.C. 5747.01(B).

Line 5 – Net Capital Gain or Loss
Include on this line gains or losses, including capital gains or losses that are “business income.” See the “Definitions” section on page 2. Gains or losses reported on this line must be those which are generated from transactions, activities and sources in the regular course of a trade or business or from assets integral to the taxpayer’s business operation.

Example: A farmer sells a tractor used in his wheat farming operation that generates a capital gain. The wheat cannot be harvested without use of the tractor. Since the tractor was integral to the taxpayer’s business operations, the capital gain can be reported on this line.

Line 6 – Depreciation Adjustments
If your business is a sole proprietorship, for tax years 2012 and thereafter, add 5/6 of I.R.C. 168(k) bonus depreciation you claimed. Also add 5/6 of the excess of the I.R.C. 179 depreciation expense you claimed over the amount of the I.R.C. 179 depreciation expense that would have been allowed based upon I.R.C. 179 in effect on Dec. 31, 2002. If your business is a pass-through entity, add your distributive or proportionate shares of these respective fractional I.R.C 168(k) and 179 depreciation amounts. Replace “5/6” with “2/3” for employers who increased their Ohio income taxes withheld by an amount equal to or greater than 10 percent over the previous year. Replace “5/6” with “6/6” for taxpayers who incur a net operating loss for federal income tax purposes if the loss was a result of the 168(k) and/or 179 depreciation expenses. No add-back is required for employers who increased their Ohio income taxes withheld over the previous year by an amount greater than or equal to the sum of the 168(k) or 179 depreciation expenses. No add-back is required for 168(k) and/or 179 depreciation amounts related to a pass-through entity in which the taxpayer has less than 5% ownership. See R.C. 5747.01(A) (20) as amended by the 129th General Assembly in HB 365 and information releases 2002-02 and 2002-01 regarding Ohio bonus depreciation adjustments available on our Web site at **tax.ohio.gov.** These releases were originally posted on July 31, 2002 and Nov. 7, 2002.

Under I.R.C. 179, as that section existed on Dec. 31, 2002, the maximum amount that could be expensed was $25,000, and the phase-out began once the cost of purchases of I.R.C. 179 property during the year exceeded $200,000. So, under the prior law the sole proprietorship or pass-through entity could not claim any I.R.C. 179 expense if the entity’s purchases during the year of I.R.C. 179 property, as defined on Dec. 31, 2002, were $225,000 or more.

In addition, a pass-through entity can defer making all or some of the add-back under the following circumstances:

(i) the pass-through equity is an equity investor in another pass-through entity that has generated I.R.C. 168(k) bonus depreciation and/or I.R.C. 179 depreciation; AND

(ii) because of either the federal passive activity loss limitation rules or the federal at-risk limitation rules, this investor pass-through entity is unable to deduct fully a loss passing through from the other pass-through entity to this investor pass-through entity.

In such circumstances, to the extent that this investor pass-through entity does not deduct the loss passing through, this investor pass-through entity can defer making the “2/3 or 5/6 add- back” until the taxable year or years for which this investor pass-through entity does deduct the investee pass-through entity’s loss and receives a federal tax benefit from the bonus depreciation amount and/or the I.R.C. 179 amount generated by the investee pass-through entity. Of course, this investor pass-through entity cannot begin claiming the related two- or five-subsequent years deduction until the first taxable year immediately following the taxable year for which this investor pass-through entity makes the 2/3 or 5/6 add-back.

For detailed information and examples regarding this adjustment, see R.C. 5747.01(A)(20) as amended by the 129th General assembly in HB 365 and the department’s information release entitled “Recently Enacted Ohio Legislation Affects Depreciation Deductions for Taxable Years Ending 2001 and Thereafter” by visiting **tax.ohio.gov.** The department posted this release on July 31, 2002, and revised the release in July 2005 and June 2009.

Line 7 – Miscellaneous Federal Income Tax Adjustments
Because of a recent amendment to R.C. section 5701.11, there are no miscellaneous federal tax adjustments on this schedule. See Sub. House Bill 58, 129th General Assembly. However, you must make all other required adjustments for this line.

Deductions From Business Income (Part I, B)

Line 9a – Certain Business Deductions
Include on this line amounts paid and reported as business deductions in arriving at adjusted gross income on your federal 1040 return for the following: Keogh, SIMPLE IRA, SEP, self-employment tax and self-employment health insurance.

Line 9b – Depreciation Adjustments
Deduct 1/5, 1/2 or 1/6 of the Internal Revenue Code sections 168(k) and 179 depreciation adjustments that you added back on your previous Ohio income tax returns. The fraction used depends on the fraction used when the add-back took place. Deduct 1/5 of amounts that resulted from a 5/6 add-back. Deduct 1/2 of amounts that resulted from a 2/3 add-back. Deduct 1/6 of amounts that resulted from a 6/6 add-back. You can take this deduction even if you no longer directly or indirectly own the asset. See R.C. 5747.01(A)(21) as amended by the 129th General Assembly in HB 365 and information releases 2002-02 and 2002-01 regarding Ohio bonus depreciation adjustments available on our Web site at tax.ohio.gov. These releases were originally posted on July 31, 2002 and Nov. 7, 2002.

Line 9d – Business Income Deductible/Miscellaneous Federal Income Tax Adjustments
You are required to deduct business income deductibles such as domestic production activities deduction, etc. Additionally, because of a recent amendment to R.C. section 5701.11, there are no miscellaneous federal tax adjustments on this schedule. See Sub. House Bill 58, 129th General Assembly. However, you must make all other required adjustments for this line.

Net Business Income, Apportionment (Part I, C)

Each factor is weighted: The property and payroll factors are weighted at 20% each and the sales factor at 60%, for a total of 100%. If any factor has a denominator (total everywhere figure) of zero, the weight given to the other factors must be proportionately increased so that the total weight given to the combined factors is 100%. For example: If the business entity has no payroll everywhere, then the property and sales factors are weighted at 25% and 75%, respectively, to total 100%. Alternatively, if the business has neither payroll nor property everywhere, the sales factor is weighted at 100%.

Line 11 – Ohio Apportionment Ratio (Part II, Line 4)
Note: When calculating the fraction used to compute the Ohio small business investor income deduction, a taxpayer who has invested in a partnership, an S corporation or a limited liability company treated as a partnership for federal income tax purposes must apply the “aggregate” (conduit) theory of taxation. That is, the character of all income and deductions (and adjustments to income and deductions) realized by a pass-through entity in which the taxpayer has invested retains that character when recognized by the taxpayer. Furthermore, the taxpayer’s factors must include the proportionate share of each lower-tiered pass-through entity’s property, payroll and sales (R.C. 5733.057 and 5747.231).

Property Factor
The property factor is a fraction the numerator of which is the average value of the sole proprietor’s or pass-through entity’s includable real and tangible personal property owned or rented, and used in the trade or business in this state during the taxable year, and the denominator of which is the average value of all the sole proprietor’s or pass-through entity’s includable real and tangible personal property owned or rented, and used in the trade or business everywhere during such year.

Ohio law includes in the property factor real property and tangible personal property that the sole proprietor or pass-through entity rents, subrents, leases or subleases to others if the income or loss from such rentals, subrentals, leases or subleases is business income. Ohio law specifically excludes from the factor all property relating to, or used in connection with, the production of nonbusiness income allocated under R.C. 5733.051. Generally, all sole proprietorship and pass-through entity income and gain is business income.

Property owned by the sole proprietor or pass-through entity is valued at its original cost average value. Average value is determined by adding the cost values at the beginning and at the end of the taxable year and dividing the total by two. The tax commissioner may require the use of monthly values during the taxable year if such values more reasonably reflect the average value of the sole proprietor’s or pass-through entity’s property.

Exclusions
Exclude from column 1 (within Ohio) and column 2 (total everywhere) the following:

- Construction in progress;
- Property relating to, or used in connection with, the production of nonbusiness income. See R.C. 5733.05(B)(2) as amended by Amended Substitute House Bill 95, 125th General Assembly;
- The numerator and the denominator of the property factor includes real property and tangible personal property that the sole proprietor or pass-through entity rents, subrents, leases or subleases to others if the income or loss from such rentals, subrentals, leases or subleases is business income. See R.C. 5733.05(B)(2)(a) as amended by Amended Substitute House Bill 95, 125th General Assembly. Property owned by the sole proprietor or pass-through entity and leased to others is excluded from the property factor only if the property generates nonbusiness income;
- The original cost of property within Ohio with respect to the air pollution, noise pollution or industrial water pollution control certificates issued by the state of Ohio (R.C. 5733.05(B)(2)(a)); AND
- The original cost of real property and tangible property (or in the case of property that the sole proprietor or pass-through entity is renting from others, eight times its net annual rental rate) within Ohio that is used exclusively during the taxable year for qualified research.

Do not include in column 1 but do include in column 2 the original cost of qualifying improvements to land or tangible personal property in an enterprise zone for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Development Services Agency.

Line 1(a), Column 1 – Property Owned Within Ohio
Enter the average value of the sole proprietor’s or pass-through entity’s real property and tangible personal property, including leasehold improvements, owned and used in the trade or business in Ohio during the taxable year.

Line 1(a), Column 2 – Property Owned – Total Everywhere
Enter the average value of all the sole proprietor’s or pass-through entity’s real property and tangible personal property, including leasehold improvements, owned and used in the trade or business everywhere during the taxable year.

Line 1(b) – Property Rented
Enter the value of the sole proprietor’s or pass-through entity’s real property and tangible personal property rented

and used in the trade or business in Ohio (column 1) and everywhere (column 2) during the taxable year. Property rented by the sole proprietor or pass-through entity is valued at eight times the annual rental rate (annual rental expense less subrental receipts).

Line 1(c) – Property Total Within Ohio and Everywhere
Add lines 1(a) and 1(b) for column 1 (within Ohio) and column 2 (total everywhere).

Line 1(c), Column 3 – Property Ratio
Enter the ratio of property within Ohio to total everywhere by dividing column 1 by column 2.

Line 1(c), Column 5 – Weighted Property Ratio
Multiply the property ratio on line 1(c), column 3 by the property factor weighting of 20%.

Payroll Factor
The payroll factor is a fraction, the numerator of which is the total compensation paid in this state during the taxable year by the sole proprietor or pass-through entity, and the denominator of which is the total compensation paid both within and without this state during the taxable year by the sole proprietor or pass-through entity. As used below, the term "compensation" means any form of remuneration paid to an employee for personal services.

Exclusions
Exclude from column 1 (within Ohio) and column 2 (total everywhere) the following:

- Guaranteed payments made to partners;
- Compensation that the S corporation paid to any shareholder if the shareholder directly or indirectly owned at least 20% of the S corporation at any time during the year (R.C. 5733.40(A)(7));
- Compensation paid in Ohio to employees who are primarily engaged in qualified research; AND
- Compensation paid to employees to the extent that the compensation relates to the production of nonbusiness income allocable under R.C 5733.051 (R.C. 5733.05(B)(2)).

Do not include in column 1 but do include in column 2 compensation paid in Ohio to certain specified new employees at an urban job and enterprise zone facility for which the pass-through entity has received a Tax Incentive Qualification Certificate issued by the Ohio Development Services Agency.

Line 2, Column 1 – Payroll Within Ohio
Enter the total amount of the sole proprietor's or pass-through entity's compensation paid in Ohio during the taxable year. Compensation is paid in Ohio if any of the following apply:

- The recipient's service is performed entirely within Ohio; OR
- The recipient's service is performed both within and outside Ohio, but the service performed outside Ohio is incidental to the recipient's service within Ohio; OR
- Some of the recipient's service is performed within Ohio and either the recipient's base of operations, or if there is no base of operations, the place from which the recipient's service is directed or controlled is within Ohio, or the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the recipient's residence is in Ohio.

Compensation is paid in Ohio to any employee of a common or contract motor carrier corporation who performs his regularly assigned duties on a motor vehicle in more than one state in the same ratio by which the mileage traveled by such employee within Ohio bears to the total mileage traveled by such employee everywhere during the taxable year. The statutorily required mileage ratio applies only to contract or common carriers. Thus, without approval by the tax commissioner a manufacturer or merchant who operates its own fleet of delivery trucks cannot use the ratio of miles traveled in Ohio to miles traveled everywhere to situs driver payroll. See Cooper Tire and Rubber Co. v. Limbach (1994), 70 Ohio St. 3d 347.

Line 2, Column 2 – Payroll Total Everywhere
Enter the total amount of the sole proprietor's or pass-through entity's compensation paid everywhere during the taxable year.

Line 2, Column 3 – Payroll Ratio
Enter the ratio of payroll within Ohio to total everywhere by dividing column 1 by column 2.

Line 2, Column 5 – Weighted Payroll Ratio
Multiply the property ratio on line 2, column 3 by the payroll factor weighting of 20%.

Sales Factor
The sales factor is a fraction whose numerator is the sole proprietor's or pass-through entity's includable business income receipts in Ohio during the taxable year and whose denominator is the sum of the sole proprietor's or pass-through entity's within Ohio and without Ohio includable business income receipts during the taxable year. The sales factor specifically excludes receipts attributable to nonbusiness income allocable under R.C. 5733.051 (see R.C. 5733.05(B)(2) and the tax commissioner's April 2004 information release entitled "Sales Factor Situsing Revisions").

Exclusions
The following receipts are not includable in either the numerator or the denominator of the sales factor even if the receipts arise from transactions, activities and sources in the regular course of a trade or business (see R.C. 5733.05(B)(2)(c) as amended by Substitute House Bill 127, 125th General Assembly):

- Interest or similar amounts received for the use of, or for the forbearance of the use of, money;

- Dividends;
- Receipts and any related gains or losses from the sale or other disposal of intangible property other than trademarks, trade names, patents, copyrights and similar intellectual property;
- Receipts and any related gains and losses from the sale or other disposal of tangible personal property or real property where that property is a capital asset or an asset described in I.R.C. 1231. For purposes of this provision the determination of whether or not an asset is a capital asset or a 1231 asset is made without regard to the holding period specified in the I.R.C.; AND
- Receipts from sales to (a) an at-least-80%-owned public utility other than an electric company, combined electric company, or telephone company, (b) an at-least-80%-owned insurance company, or (c) an at-least-25%-owned financial institution.

Note: Income and gain from receipts excluded from the sales factor is not presumed to be nonbusiness income. All income, gain, loss and expense is presumed to be apportionable business income – even if the related receipts are excluded from the sales factor.

The law specifically includes in the sales factor the following amounts when arising from transactions, activities and sources in the regular course of a trade or business: (i) receipts from sales of tangible personal property, (ii) receipts from the sale of real property inventory (such as lots developed and sold by a real estate developer), (iii) rents and royalties from tangible personal property, (iv) rents and royalties from real property, (v) receipts from the sale, exchange, disposition or other grant of the right to use trademarks, trade names, patents, copyrights and similar intellectual property, (vi) receipt from the sale of services and other receipts not expressly excluded from the factor. These amounts are situsable to Ohio as set forth below.

Line 3, Column 1 – Sales Within Ohio
Enter the total of gross receipts from sales not excludable from the numerator and the denominator of the sales factor, to the extent the includable gross receipts reflect business done in Ohio. Sales within Ohio include the following:

- Receipts from sales of tangible personal property, less returns and allowances, received by the purchaser in Ohio. In the case of delivery of tangible personal property by common carrier or by other means of transportation, the place at which such property is ultimately received after all transportation has been completed is considered as the place at which such property is received by the purchaser. Direct delivery in Ohio, other than for purposes of transportation, to a person or firm designated by a purchaser constitutes delivery to the purchaser in Ohio, and direct delivery outside Ohio to a person or firm designated by a purchaser does not constitute delivery to the purchaser in Ohio, regardless of where title passes or other conditions of sale. Customer pick-up sales are situsable to the final destination after all transportation (including customer transportation) has been completed. See Dupps Co. v. Lindley (1980), 62 Ohio St. 2d 305.

Revenue from servicing, processing or modifying tangible personal property is sitused to the destination state as a sale of tangible personal property. See Custom Deco, Inc. v. Limbach, BTA Case No. 86-C-1024, June 2, 1989.

- Receipts from sales of real property inventory in Ohio.
- Rents and royalties from tangible personal property to the extent the property was used in Ohio.
- Rents and royalties from real property located in Ohio.
- Receipts from the sale, exchange, disposition or other grant of the right to use trademarks, trade names, patents, copyrights and similar intellectual property are sitused to Ohio to the extent that the receipts are based on the amount of use of that property in Ohio. If the receipts are not based on the amount of use of that property, but rather on the right to use the property and the payor has the right to use the property in Ohio, then the receipts from the sale, exchange, disposition or other grant of the right to use such property are sitused to Ohio to the extent the receipts are based on the right to use the property in Ohio.
- Receipts from the performance of services and receipts from any other sales not excluded from the sales factor and not otherwise sitused within or without Ohio under the above situsing provisions are situsable to Ohio in proportion to the purchaser's benefit, with respect to the sale, in Ohio to the purchaser's benefit, with respect to the sale, everywhere. The physical location where the purchaser ultimately uses or receives the benefit of what was purchased is paramount in determining the proportion of the benefit in Ohio to the benefit everywhere. **Note:** For taxable years ending on or after Dec. 11, 2003, the "cost of performance" provision is no longer the law.

Line 3, Column 2 – Sales – Total Everywhere
Enter the total of such includable gross receipts, less returns and allowances, from sales everywhere.

Line 3, Column 3 – Sales Ratio
Enter the ratio of sales within Ohio to total everywhere by dividing column 1 by column 2.

Line 3, Column 5 – Weighted Sales Ratio
Multiply the sales ratio on line 3, column 3 by the sales factor weighting of 60%.

Line 4, Column 5 – Total Weighted Apportionment Ratio
Add column (5), lines 1 (c), 2 and 3.

Ohio Small Business Investor Income Deduction (Part I, D)

Line 13 – Ohio Small Business Investor Income
Individuals shall complete one schedule IT SBD (lines 1-12) for each pass-through entity in which the taxpayer has an

ownership interest or sole proprietorship. Enter the sum of line 12 from each separate schedule.

Line 14 – Maximum Ohio Small Business Investor Income
If filing status is married filing jointly or single, head of household, enter $250,000 on this line. If filing status is married filing separately, enter $125,000 on this line. In either case, the amount on this line also can not exceed the amount of your Ohio adjusted gross income as if it were calculated prior to taking the Ohio small business investor income deduction.

For purposes of this division, "Ohio small business investor income" means the portion of the taxpayer's Ohio adjusted gross income that is business income reduced by deductions from business income and apportioned or allocated to this state under R.C. 5747.21 and 5747.22, to the extent not otherwise deducted or excluded in computing federal or Ohio adjusted gross income for the taxable year."

Note: Generally, all sole proprietorship and pass-through entity income and gain is business income.

Line 15 – Ohio Small Business Investor Income Deduction
Enter on this line the lesser of 75% of line 13 or 75% of line 14. R.C. 5747.01(A)(31) states, "deduct three-quarters of the taxpayers Ohio small business investor income, the deduction not to exceed $93,750 for each spouse if spouses file separate returns under R.C. 5747.08 or $187,500 for all other taxpayers. No pass-through entity may claim a deduction under this division."

Summary of Ohio Tax Treatment of Income and Deductions for Purposes of the Small Business Investor Income Deduction

Note: Except for lottery prizes and awards, all income and gain is presumed to be business income/gain.

Type of Income and Deductions	Ohio Tax
1. Guaranteed payments and compensation paid to an individual for services performed	If the individual directly or indirectly owns at least 20% of the business, the individual must show the guaranteed payments and compensation on Part I, A, line 1b.
2. Gains or losses from the sale or transfer of real property	Apportion if gain constitutes business income.
3. Gains or losses from the sale or transfer of tangible personal property	Apportion if gain constitutes business income.
4. Gains or losses from the sale or transfer of intangible personal property	Apportion if gain or loss constitutes business income.
5. Rents or royalties from real property	Apportion if gain constitutes business income.
6. Rents or royalties from tangible personal property	Apportion if the rents or royalties constitute business income.
7. Patent and copyright royalties	Apportion if the rents or royalties constitute business income.
8. Depreciation expense add-back/deduction	If the depreciation relates to nonbusiness property, the 1/2, 5/6 or 6/6 add-back and corresponding 1/2, 1/5 or 1/6 deductions are not considered business income and deductions. However, if the depreciation relates to business property, these depreciation adjustments are apportioned as items of business income and deduction using Part I of the small business deduction schedule.

Federal Privacy Act Notice

Because we require you to provide us with a Social Security number, the *Federal Privacy Act of 1974* requires us to inform you that providing us with your Social Security number is mandatory. Ohio Revised Code sections 5703.05, 5703.057 and 5747.08 authorize us to request this information. We need your Social Security number in order to administer this tax.