

As Introduced

**127th General Assembly
Regular Session
2007-2008**

S. B. No. 206

Senator Mason

Cosponsors: Senators Smith, Fedor, Kearney, Roberts

—

A B I L L

To amend sections 5733.98 and 5747.98 and to enact 1
sections 5733.421 and 5747.391 of the Revised Code 2
to create a tax credit for wages paid by employers 3
to employees who have previously been convicted of 4
felonies. 5

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5733.98 and 5747.98 be amended and 6
sections 5733.421 and 5747.391 of the Revised Code be enacted to 7
read as follows: 8

Sec. 5733.421. (A) As used in this section: 9

(1) "Qualified reforming felon" means an individual who: 10

(a) Has been convicted of a felony under any statute of the 11
United States or any state; 12

(b) Was hired by a taxpayer within one year of the conviction 13
or, if sentenced to a term of incarceration, was hired within one 14
year of being released from incarceration; and 15

(c) Is a member of a family that, in the six months 16
immediately preceding the date of hiring, had an income that, on 17
an annual basis, would be seventy per cent or less of the most 18

recent lower living standard calculated by the federal bureau of 19
labor statistics. 20

(2) "Family" means an individual, and an individual's spouse 21
and children. 22

(3) "Wages" has the same meaning as in section 3306 of the 23
Internal Revenue Code. 24

(B)(1) For tax years 2008 and 2009, a nonrefundable credit is 25
allowed against the tax imposed by section 5733.06 of the Revised 26
Code for the wages paid by a taxpayer to a qualified reforming 27
felon who works at least one hundred twenty hours for the taxpayer 28
during the taxpayer's taxable year. The amount of the credit shall 29
be calculated as follows: 30

(a) For each qualified reforming felon who works at least 31
four hundred hours during the taxable year, the credit equals 32
forty per cent of the wages paid to the qualified reforming felon, 33
but shall not exceed two thousand four hundred dollars per 34
qualified reforming felon. 35

(b) For each qualified reforming felon who works less than 36
four hundred hours but at least one hundred twenty hours during 37
the taxable year, the credit equals twenty-five per cent of the 38
wages paid to the qualified reforming felon, but shall not exceed 39
one thousand five hundred dollars per qualified reforming felon. 40

The credit shall be claimed in the order required under 41
section 5733.98 of the Revised Code. The credit, to the extent it 42
exceeds the taxpayer's tax liability for the tax year after 43
allowance for any other credits that precede the credit under that 44
section in that order, may be carried forward to the next tax 45
year. 46

(2) A taxpayer that received federally funded payments for 47
on-the-job training of a qualified reforming felon may not claim 48
the credit allowed under this section for any portion of the wages 49

paid to that qualified reforming felon. 50

(3) A taxpayer may not claim the credit allowed under this 51
section for any portion of the wages paid to a qualified reforming 52
felon for services that were the same as, or substantially similar 53
to, services that, but for a strike or lockout, would have been 54
performed by another employee. 55

(4) If a qualified reforming felon's employment is terminated 56
during the taxable year and the qualified reforming felon was 57
employed by the taxpayer for less than twelve months, the taxpayer 58
may not claim the full amount of the credit allowed under this 59
section unless the qualified reforming felon voluntarily 60
terminated employment; was unable to continue employment due to a 61
disability or death; or was terminated for cause. If a qualified 62
reforming felon's employment is terminated for any other reason, 63
the amount of the credit to which the taxpayer is entitled under 64
this section is reduced by a percentage equal to the percentage of 65
the taxable year that the qualified reforming felon was not 66
employed by the taxpayer. 67

(C) All files, statements, returns, reports, papers, or 68
documents of any kind relating to qualified reforming felons or 69
their families are not public records under section 149.43 of the 70
Revised Code. 71

Sec. 5733.98. (A) To provide a uniform procedure for 72
calculating the amount of tax imposed by section 5733.06 of the 73
Revised Code that is due under this chapter, a taxpayer shall 74
claim any credits to which it is entitled in the following order, 75
except as otherwise provided in section 5733.058 of the Revised 76
Code: 77

(1) For tax year 2005, the credit for taxes paid by a 78
qualifying pass-through entity allowed under section 5733.0611 of 79
the Revised Code; 80

(2) The credit allowed for financial institutions under section 5733.45 of the Revised Code;	81 82
(3) The credit for qualifying affiliated groups under section 5733.068 of the Revised Code;	83 84
(4) The subsidiary corporation credit under section 5733.067 of the Revised Code;	85 86
(5) The savings and loan assessment credit under section 5733.063 of the Revised Code;	87 88
(6) The credit for recycling and litter prevention donations under section 5733.064 of the Revised Code;	89 90
(7) The credit for employers that enter into agreements with child day-care centers under section 5733.36 of the Revised Code;	91 92
(8) The credit for employers that reimburse employee child care expenses under section 5733.38 of the Revised Code;	93 94
(9) The credit for maintaining railroad active grade crossing warning devices under section 5733.43 of the Revised Code;	95 96
(10) The credit for purchases of lights and reflectors under section 5733.44 of the Revised Code;	97 98
(11) The job retention credit under division (B) of section 5733.0610 of the Revised Code;	99 100
(12) The credit for tax years 2008 and 2009 for selling alternative fuel under section 5733.48 of the Revised Code;	101 102
(13) The second credit for purchases of new manufacturing machinery and equipment under section 5733.33 of the Revised Code;	103 104
(14) The job training credit under section 5733.42 of the Revised Code;	105 106
(15) The credit for qualified research expenses under section 5733.351 of the Revised Code;	107 108
(16) The enterprise zone credit under section 5709.66 of the	109

Revised Code;	110
(17) The credit for the eligible costs associated with a voluntary action under section 5733.34 of the Revised Code;	111 112
(18) The credit for employers that establish on-site child day-care centers under section 5733.37 of the Revised Code;	113 114
(19) <u>The credit for employers that employ qualified reforming felons under section 5733.421 of the Revised Code;</u>	115 116
<u>(20)</u> The ethanol plant investment credit under section 5733.46 of the Revised Code;	117 118
(20) <u>(21)</u> The credit for purchases of qualifying grape production property under section 5733.32 of the Revised Code;	119 120
(21) <u>(22)</u> The export sales credit under section 5733.069 of the Revised Code;	121 122
(22) <u>(23)</u> The credit for research and development and technology transfer investors under section 5733.35 of the Revised Code;	123 124 125
(23) <u>(24)</u> The enterprise zone credits under section 5709.65 of the Revised Code;	126 127
(24) <u>(25)</u> The credit for using Ohio coal under section 5733.39 of the Revised Code;	128 129
(25) <u>(26)</u> The credit for small telephone companies under section 5733.57 of the Revised Code;	130 131
(26) <u>(27)</u> The credit for eligible nonrecurring 9-1-1 charges under section 5733.55 of the Revised Code;	132 133
(27) <u>(28)</u> For tax year 2005, the credit for providing programs to aid the communicatively impaired under division (A) of section 5733.56 of the Revised Code;	134 135 136
(28) <u>(29)</u> The research and development credit under section 5733.352 of the Revised Code;	137 138

(29) (30) For tax years 2006 and subsequent tax years, the credit for taxes paid by a qualifying pass-through entity allowed under section 5733.0611 of the Revised Code;	139 140 141
(30) (31) The refundable credit for rehabilitating a historic building under section 5733.47 of the Revised Code;	142 143
(31) (32) The refundable jobs creation credit under division (A) of section 5733.0610 of the Revised Code;	144 145
(32) (33) The refundable credit for tax withheld under division (B)(2) of section 5747.062 of the Revised Code;	146 147
(33) (34) The refundable credit under section 5733.49 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code;	148 149 150
(34) (35) For tax years 2006, 2007, and 2008, the refundable credit allowable under division (B) of section 5733.56 of the Revised Code.	151 152 153
(B) For any credit except the credits enumerated in divisions (A) (30) (31) to (34) (35) of this section, the amount of the credit for a tax year shall not exceed the tax due after allowing for any other credit that precedes it in the order required under this section. Any excess amount of a particular credit may be carried forward if authorized under the section creating that credit.	154 155 156 157 158 159 160
<u>Sec. 5747.391. (A) As used in this section:</u>	161
<u>(1) "Pass-through entity" has the same meaning as in section 5733.04 of the Revised Code and includes a sole proprietorship.</u>	162 163
<u>(2) "Qualified reforming felon" means an individual who:</u>	164
<u>(a) Has been convicted of a felony under any statute of the United States or any state;</u>	165 166
<u>(b) Was hired by a pass-through entity within one year of the</u>	167

conviction or, if sentenced to a term of incarceration, was hired 168
within one year of being released from incarceration; and 169

(c) Is a member of a family that, in the six months 170
immediately preceding the date of hiring, had an income that, on 171
an annual basis, would be seventy per cent or less of the most 172
recent lower living standard calculated by the federal bureau of 173
labor statistics. 174

(3) "Family" means an individual, and an individual's spouse 175
and children. 176

(4) "Wages" has the same meaning as in section 3306 of the 177
Internal Revenue Code. 178

(B)(1) For a taxpayer's taxable years beginning in 2007 or 179
thereafter, a nonrefundable credit is allowed against the tax 180
imposed by section 5747.02 of the Revised Code for the wages paid 181
by a pass-through entity to a qualified reforming felon who works 182
at least one hundred twenty hours for the pass-through entity 183
during the entity's taxable year. The amount of the credit shall 184
be calculated as follows: 185

(a) For each qualified reforming felon who works at least 186
four hundred hours during the taxable year, the credit equals 187
forty per cent of the wages paid to the qualified reforming felon, 188
but shall not exceed two thousand four hundred dollars per 189
qualified reforming felon. 190

(b) For each qualified reforming felon who works less than 191
four hundred hours but at least one hundred twenty hours during 192
the taxable year, the credit equals twenty-five per cent of the 193
wages paid to the qualified reforming felon, but shall not exceed 194
one thousand five hundred dollars per qualified reforming felon. 195

The amount of a taxpayer's credit is the taxpayer's 196
proportionate share of the credit distributed by the pass-through 197
entity. The credit shall be claimed in the order required under 198

section 5747.98 of the Revised Code. The credit, to the extent it 199
exceeds the taxpayer's tax liability for the taxable year after 200
allowance for any other credits that precede the credit under that 201
section in that order, may be carried forward for the next five 202
succeeding taxable years, but the amount of any excess credit 203
allowed in any such year shall be deducted from the balance 204
carried forward to the succeeding year. 205

(2) A taxpayer may not claim the credit allowed under this 206
section for any portion of the wages paid to a qualified reforming 207
felon for whom the pass-through entity received federally funded 208
payments for on-the-job training. 209

(3) A taxpayer may not claim the credit allowed under this 210
section for any portion of the wages paid to a qualified reforming 211
felon for services that were the same as, or substantially similar 212
to, services that, but for a strike or lockout, would have been 213
performed by another employee. 214

(4) If a qualified reforming felon's employment is terminated 215
during the taxable year and the qualified reforming felon was 216
employed by the pass-through entity for less than twelve months, a 217
taxpayer may not claim the full amount of the credit allowed under 218
this section unless the qualified reforming felon voluntarily 219
terminated employment; was unable to continue employment due to a 220
disability or death; or was terminated for cause. If a qualified 221
reforming felon's employment is terminated for any other reason, 222
the amount of the credit to which the taxpayer is entitled under 223
this section is reduced by a percentage equal to the percentage of 224
the taxable year that the qualified reforming felon was not 225
employed by the pass-through entity. 226

(C) All files, statements, returns, reports, papers, or 227
documents of any kind relating to qualified reforming felons or 228
their families are not public records under section 149.43 of the 229
Revised Code. 230

Sec. 5747.98. (A) To provide a uniform procedure for	231
calculating the amount of tax due under section 5747.02 of the	232
Revised Code, a taxpayer shall claim any credits to which the	233
taxpayer is entitled in the following order:	234
(1) The retirement income credit under division (B) of	235
section 5747.055 of the Revised Code;	236
(2) The senior citizen credit under division (C) of section	237
5747.05 of the Revised Code;	238
(3) The lump sum distribution credit under division (D) of	239
section 5747.05 of the Revised Code;	240
(4) The dependent care credit under section 5747.054 of the	241
Revised Code;	242
(5) The lump sum retirement income credit under division (C)	243
of section 5747.055 of the Revised Code;	244
(6) The lump sum retirement income credit under division (D)	245
of section 5747.055 of the Revised Code;	246
(7) The lump sum retirement income credit under division (E)	247
of section 5747.055 of the Revised Code;	248
(8) The low-income credit under section 5747.056 of the	249
Revised Code;	250
(9) The credit for displaced workers who pay for job training	251
under section 5747.27 of the Revised Code;	252
(10) The campaign contribution credit under section 5747.29	253
of the Revised Code;	254
(11) The twenty-dollar personal exemption credit under	255
section 5747.022 of the Revised Code;	256
(12) The joint filing credit under division (G) of section	257
5747.05 of the Revised Code;	258

(13) The nonresident credit under division (A) of section 5747.05 of the Revised Code;	259 260
(14) The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;	261 262
(15) The credit for employers that enter into agreements with child day-care centers under section 5747.34 of the Revised Code;	263 264
(16) The credit for employers that reimburse employee child care expenses under section 5747.36 of the Revised Code;	265 266
(17) The credit for adoption of a minor child under section 5747.37 of the Revised Code;	267 268
(18) The credit for purchases of lights and reflectors under section 5747.38 of the Revised Code;	269 270
(19) The job retention credit under division (B) of section 5747.058 of the Revised Code;	271 272
(20) The credit for selling alternative fuel under section 5747.77 of the Revised Code;	273 274
(21) The second credit for purchases of new manufacturing machinery and equipment and the credit for using Ohio coal under section 5747.31 of the Revised Code;	275 276 277
(22) The job training credit under section 5747.39 of the Revised Code;	278 279
(23) The enterprise zone credit under section 5709.66 of the Revised Code;	280 281
(24) The credit for the eligible costs associated with a voluntary action under section 5747.32 of the Revised Code;	282 283
(25) The credit for employers that establish on-site child day-care centers under section 5747.35 of the Revised Code;	284 285
(26) <u>The credit for employers that employ qualified reforming felons under section 5747.391 of the Revised Code;</u>	286 287

<u>(27)</u> The ethanol plant investment credit under section 5747.75 of the Revised Code;	288 289
(27) <u>(28)</u> The credit for purchases of qualifying grape production property under section 5747.28 of the Revised Code;	290 291
(28) <u>(29)</u> The export sales credit under section 5747.057 of the Revised Code;	292 293
(29) <u>(30)</u> The credit for research and development and technology transfer investors under section 5747.33 of the Revised Code;	294 295 296
(30) <u>(31)</u> The enterprise zone credits under section 5709.65 of the Revised Code;	297 298
(31) <u>(32)</u> The research and development credit under section 5747.331 of the Revised Code;	299 300
(32) <u>(33)</u> The refundable credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	301 302
(33) <u>(34)</u> The refundable jobs creation credit under division (A) of section 5747.058 of the Revised Code;	303 304
(34) <u>(35)</u> The refundable credit for taxes paid by a qualifying entity granted under section 5747.059 of the Revised Code;	305 306
(35) <u>(36)</u> The refundable credits for taxes paid by a qualifying pass-through entity granted under division (J) of section 5747.08 of the Revised Code;	307 308 309
(36) <u>(37)</u> The refundable credit for tax withheld under division (B)(1) of section 5747.062 of the Revised Code;	310 311
(37) <u>(38)</u> The refundable credit under section 5747.80 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code.	312 313 314
(B) For any credit, except the credits enumerated in divisions (A) (32) <u>(33)</u> to (37) <u>(38)</u> of this section and the credit	315 316

granted under division (I) of section 5747.08 of the Revised Code, 317
the amount of the credit for a taxable year shall not exceed the 318
tax due after allowing for any other credit that precedes it in 319
the order required under this section. Any excess amount of a 320
particular credit may be carried forward if authorized under the 321
section creating that credit. Nothing in this chapter shall be 322
construed to allow a taxpayer to claim, directly or indirectly, a 323
credit more than once for a taxable year. 324

325

Section 2. That existing sections 5733.98 and 5747.98 of the 326
Revised Code are hereby repealed. 327