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Bill Analysis
Legislative Service Commission

Am. S.B. 190*

126th General Assembly

(As Reported by H. Economic Development and Environment)

Sens. Carey, Amstutz, Zurz, Fingerhut, Dann, Roberts, Austria, Spada, Harris, Coughlin, Gardner, Grendell, Hagan, Clancy, Hottinger, Niehaus, Armbruster, Schuler

BILL SUMMARY

- Extends the job training tax credit for an additional year, to cover training costs paid or incurred on or before December 31, 2006.
- Requires that the Director of Job and Family Services adopt rules requiring that taxpayers who permanently relocate or transfer employees to another state or country repay tax credits received by them for job training costs incurred with respect to those employees.
- Declares an emergency.

CONTENT AND OPERATION

Job training tax credit

Overview

Continuing law provides that taxpayers that are corporations, financial institutions, dealers in intangibles, income tax taxpayers who invest in pass-through entities (sole proprietorships, partnerships, S corporations, or limited liability companies), domestic insurance companies, and foreign insurance companies may apply to the Director of Job and Family Services for a tax credit certificate under which they may claim a nonrefundable tax credit against their tax liability for certain job skill training costs they incur for their employees. The training costs that qualify a taxpayer for a credit include direct instructional costs

* This analysis was prepared before the report of the House Economic Development and Environment Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

(e.g., instructor salaries; materials and supplies; textbooks and manuals; and videotapes and other instructional media equipment) and wages paid to employees for normal working hours devoted exclusively to a training program. The credit is available only with respect to training costs incurred on behalf of employees employed by the taxpayer for 180 or more consecutive days prior to the date on which the taxpayer applies for the credit.

The credit equals one-half of the average of a taxpayer's training costs paid or incurred over a three-year period, but the credit amount claimed by a taxpayer cannot exceed \$100,000 per year. If the credit amount exceeds the taxpayer's tax liability, the excess may be carried forward for three years following the year in which the credit was first claimed.

Extension of the credit

(R.C. 5725.31(B), 5729.07, 5733.42(B), (C), and (L), and 5747.39(B))

Under current law, the job training tax credit may be taken for training costs paid or incurred on or before December 31, 2005. The bill extends the tax credit by one year, for training costs paid or incurred on or before December 31, 2006.

Job training tax credit program report

(R.C. 5733.42(G))

Continuing law requires that the Director of Job and Family Services prepare a report about the job training tax credit program on or before September 30 of each year, and submit it to the Governor, the President of the Senate, and the Speaker of the House of Representatives. Under current law, 2006 is the last year in which a report must be prepared and submitted. The bill provides that the report also must be prepared and submitted on or before September 30, 2007.

Clarification of maximum credit amount

(R.C. 5747.39(B)(5))

Under continuing income tax law, the job training tax credit is available for a taxpayer that is an investor in a pass-through entity for which a tax credit certificate is issued. The total amount of credits that may be claimed by all such taxpayers each taxable year is capped at \$100,000. The bill clarifies that this cap applies to all such taxpayers with respect to each pass-through entity for each taxable year.

Repayment of tax credits upon employees' relocation or transfer

(R.C. 5733.42(F))

Continuing law requires that the Director of Job and Family Services adopt rules necessary to administer the job training tax credit program. The bill specifies that, as part of that rulemaking authority, the Director must adopt rules requiring the repayment of tax credits upon the permanent relocation or transfer of employees trained under a job training tax credit certificate. Specifically, a taxpayer must repay the total amount of tax credits received for training costs incurred with respect to an employee if the taxpayer is issued a tax credit certificate with respect to those costs and then permanently relocates or transfers the employee to another state or country within two years after receiving the certificate.

Emergency clause

(Section 3)

The bill takes immediate effect under its emergency clause, which provides that the reason for the emergency is that the job training tax credit is scheduled to expire, but the credit is needed for an additional year to encourage Ohio employers to provide further job skill training programs to employees.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	09-29-05	p. 1460
Reported, S. Ways & Means & Economic Development	10-19-05	p. 1641
Passed Senate (31-0)	10-19-05	pp. 1644-1646
Reported, H. Economic Development & Environment	---	---

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