



# Ohio Legislative Service Commission

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## Bill Analysis

Stephen Estelle

### H.B. 123

128th General Assembly  
(As Introduced)

Reps. Goyal and Mandel, J. Adams, Amstutz, Bacon, Baker, Blair, Blessing, Boose, Boyd, Brown, Bubb, Burke, Combs, Derickson, Domenick, Dyer, Evans, Fende, Grossman, Hall, Harris, Hite, Huffman, Jordan, Luckie, Maag, McClain, Mecklenborg, Morgan, Newcomb, Okey, Pillich, Pryor, Schneider, Snitchler, Stautberg, Stebelton, Ujvagi, S. Williams, Winburn, Yuko, Zehringer

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## BILL SUMMARY

- Allows a nonrefundable income tax credit for an Ohio resident who has earned a degree in science, technology, engineering, or math-based fields of study after the effective date of the bill.
- Allows a \$5,000 credit for an associate's degree; \$20,000 for a baccalaureate degree; and \$30,000 for a master's or doctoral degree.
- Allows an individual to receive additional credits for obtaining more advanced degrees.
- Requires the recapture and forfeiture of the credit if the claimant does not remain an Ohio resident for five years.
- Expressly authorizes a municipal corporation to allow a credit for individuals qualifying for the state credit.

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## CONTENT AND OPERATION

### STEM degree tax credit

The bill allows a nonrefundable credit against the income tax for an Ohio resident who has obtained an associate's, baccalaureate, master's, or doctoral degree from an institution of higher education in an approved field of study on or after the bill's effective date. The bill states that the credit is allowed to develop and maintain a highly qualified workforce and to improve the economic welfare of all Ohioans.

"Institutions of higher education" means state colleges, universities, and branches thereof, the Medical College of Ohio, private, accredited, non-profit colleges and universities, private for-profit colleges and universities, state and non-state community colleges, technical colleges, career schools and colleges, and any similar institution not located in Ohio that is designated as an institution of higher education by the Ohio Board of Regents for purposes of the credit. "Approved field of study" means a field of study in the natural sciences, technology, engineering, or mathematics that the Board determines is associated with job creation and retention in Ohio. In identifying approved fields of study, the Board is required to give priority to those related to information technology, power and propulsion, advanced materials, instruments and controls, electronics, and biotechnology and biosciences.

The credit equals \$5,000 for an associate's degree, \$20,000 for a baccalaureate degree, and \$30,000 for a master's or doctoral degree. The credit must be claimed in increments of one-tenth over ten consecutive years beginning with the individual's taxable year in which the individual's credit application was approved. (There appears to be no deadline by which an individual must apply for the credit.) If the credit exceeds the individual's tax liability, the individual may carry forward the unused credit to future taxable years.

An individual who has been allowed a credit for an associate's or baccalaureate degree may receive an additional credit by obtaining a more advanced degree from an institution of higher education in an approved field of study. The additional credit equals the credit amount for the more advanced degree less the credit the individual has been allowed for less advanced degrees.

### **Credit application**

An individual seeking a credit must apply to the Ohio Board of Regents (or designee) on a form approved by the Board or its designee (see "**Board of Regents**") and must submit any documents required by the Board or designee. If the individual qualifies for a credit, the Board or designee must issue a tax credit certificate, which must state the individual's name and social security number, the date the credit application was approved, the credit amount, and the taxable years for which the credit must be claimed.

### **Credit deferral**

An individual who has been allowed a credit and who seeks to obtain a more advanced degree may apply to the Ohio Board of Regents or the Board's designee to defer claiming the credit and any related carry-forward. To receive the deferral, the individual must be enrolled full-time in an institution of higher education in an approved field of study. If the deferral is approved, the individual must begin claiming

the credit for the taxable year in which the individual is no longer a full-time student in an institution of higher education in an approved field of study, or the taxable year in which the individual receives a credit for the more advanced degree, whichever is earlier. (The latter deadline appears superfluous as the individual must graduate with the advanced degree, and therefore no longer be a student, before obtaining the credit.) The individual must apply for the deferral on a form approved by the Board or the Board's designee and must submit documents required by the Board or designee.

### **Credit reclamation**

An individual who has been allowed a credit may claim it only if the individual remains an Ohio resident for the first five consecutive taxable years for which the credit must be claimed. (Periods of deferral are not considered years for which the credit must be claimed.) An individual who fails to do so is liable to the state for credit taken and forfeits any unused credit and any credit carry-forward. Amounts owed to the state are considered as taxes and may be collected by assessment.

### **Board of Regents**

The bill requires the Ohio Board of Regents to identify institutions of higher education and approved fields of study, and to specify the information required to be disclosed in credit certificate and deferral applications and the documents required to be submitted. The Board may designate an entity to perform the administrative functions necessary to operate the credit program. The entity may be a non-profit private organization.

### **Municipal credit authorization**

The bill expressly authorizes a municipal corporation to grant a credit against its municipal income tax for individuals who qualify for the state credit. A municipal corporation may establish credit amounts and limits, refundability attributes, carry-forward periods, deferral periods and procedures, and recapture penalties differing from those of the state credit. (Pursuant to their constitutional home rule powers, municipal corporations may have the power to allow credits against their income taxes without express authorization in state law.)

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## **HISTORY**

<b>ACTION</b>	<b>DATE</b>
Introduced	04-08-09