



Ohio Legislative Service Commission

Bill Analysis

Stephen Estelle

H.B. 437

128th General Assembly
(As Introduced)

Reps. Baker and Balderson, J. Adams, R. Adams, Bacon, Beck, Blair, Blessing, Boose, Bubb, Combs, Derickson, Evans, Grossman, Hackett, Hall, Huffman, Lehner, McGregor, Morgan, Stebelton, Wachtmann, Wagner, Zehringer

BILL SUMMARY

- Authorizes a nonrefundable tax credit for a business that hires new employees and expands into a facility that has been vacant for six months.
- Bases the credit amount on increased income tax withholdings adjusted for wage inflation.

CONTENT AND OPERATION

Job creation tax credit

(R.C. 5747.81, 5747.98, 5751.55, and 5751.98)

The bill authorizes a nonrefundable tax credit against the personal income tax or the commercial activity tax for a business that, on or after the bill's effective date, leases or purchases commercial space that has been vacant for the immediately preceding six months and employs at least 50% of its Ohio employees there.

The credit amount is based on the business's increased income tax withholdings adjusted for wage inflation. The credit is determined by subtracting from the business's annual income tax withholdings the product of the business's income tax withholding for the preceding year multiplied by a "payroll inflation factor." The credit equals 100% of the difference. The payroll inflation factor is based on the Employee Cost Index published by the United States Bureau of Labor Statistics. The inflation factor equals one plus the percent change in the employment cost index for total compensation of all workers in private industry for the 12-month period ending with the calendar quarter that includes the last day of the calendar year or the business's taxable year for which

the credit is claimed. The bill requires the Tax Commissioner to publish the payroll inflation factor for each quarter on the Department of Taxation's web site.

A business may qualify for the credit only once, but, once qualified, the business may claim a credit for five years. The business may not claim the credit for a year (and any subsequent year) if, during that year, it fails to employ 50% of its Ohio employees at the location, unless the business has moved to another Ohio location that was vacant for the preceding six months and employs at least 50% of its Ohio employees at that new location. The credit is not refundable, but any unused credit may be carried forward for three years.

Commercial activity tax calendar quarter taxpayers must claim the credit on the annual return for the calendar year for which the credit is being claimed. The bill permits pass-through treatment of the credit under the income tax, unless the pass-through entity claims the credit against the commercial activity tax.

HISTORY

ACTION	DATE
Introduced	02-03-10

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