



**Sub. S.B. 116\***

125th General Assembly

(As Reported by S. Ways and Means and Economic Development)

Sen. Spada

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**BILL SUMMARY**

- Extends the job creation tax credit to domestic and foreign insurance companies and dealers in intangibles.

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**CONTENT AND OPERATION**

**Extension of the job creation tax credit to insurance companies and dealers in intangibles**

**Taxation of dealers in intangibles and insurance companies**

In lieu of the corporation franchise tax, dealers in intangibles are subject to an annual tax on their intangible personal property. A dealer in intangibles is any person that maintains an office or other place of business in Ohio and engages in the business of lending money, or discounting, buying, or selling bills of exchange, drafts, acceptances, notes, mortgages, or other evidences of indebtedness from its place of business. A dealer in intangibles also includes every person who is engaged in the business of buying or selling bonds, stock, or other investment securities from a place of business in Ohio, whether on its own account or as an agent or broker for others, provided that there is an expectation of profit. The tax on dealers in intangibles is based on an assessment of each dealer's shares of capital stock or on each dealer's property representing its capital employed in the state. The tax rate is eight mills on the dollar (0.8%). The Tax Commissioner administers this tax.

Domestic and foreign insurance companies pay annual franchise taxes in lieu of the corporation franchise tax. Domestic and foreign insurance companies are taxed at a rate of 1.4% of the gross amount of premiums received from policies

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

covering risks within Ohio, except for those companies that are health insuring corporations, which are taxed at the rate of 1% of premium rate payments received. The Superintendent of Insurance administers this tax.

**Background for the job creation tax credit**

Under continuing law, Ohio's Tax Credit Authority may enter into an agreement with an employer whereby the employer agrees to increase employment in Ohio in exchange for a tax credit against the corporation franchise tax (corporations) or the personal income tax (owners of most partnerships, limited liability companies, S corporations, and sole proprietorships). The credit is equal to a percentage, determined by the Authority and detailed in the agreement, of new income tax revenue withheld from the compensation of the employer's new employees. The credit also is refundable, which means that a taxpayer is entitled to a refund if the amount of the credit exceeds the taxpayer's tax liability. Currently, dealers in intangibles and domestic and foreign insurance companies cannot benefit from the credit.

**Job creation tax credit extended to insurance companies and dealers in intangibles**

(R.C. 122.17, 5707.051, 5725.32, and 5729.032)

The bill extends the job creation tax credit to dealers in intangibles and domestic and foreign insurance companies by allowing these entities to claim the credit against the taxes that apply to them. Under the bill, all of the existing administrative procedures relating to the job creation tax credit apply with respect to dealers in intangibles and insurance companies. The bill adds the Superintendent of Insurance to the administrative procedures because the Superintendent administers the franchise tax on domestic and foreign insurance companies.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	08-07-03	p. 957
Reported, S. Ways & Means & Economic Development	---	---

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