



Ralph D. Clark

*Bill Analysis*  
*Legislative Service Commission*

## **H.B. 359**

126th General Assembly  
(As Introduced)

**Rep. Martin**

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### **BILL SUMMARY**

- Creates a nonrefundable state income tax credit for individuals who earn degrees from institutions of higher education in a field of study in engineering, the natural sciences, or mathematics that the Ohio Board of Regents determines is associated with job creation and retention in Ohio, with priority given to the fields of information technology, power and propulsion, advanced materials, instruments and controls, electronics, and biotechnology and biosciences.
- Provides for credit amounts based on the specific type of degree obtained--associate, baccalaureate, master's, or doctoral.
- Provides additional credits for additional qualifying degrees.
- Provides for the tax credit generally to be claimed over a ten-year period, establishes an age limit for each degree type beyond which a credit may not be claimed, provides for deferral of tax credits, provides for carry-over of unused credit amounts to ensuing tax years, and caps credit amounts that may be taken at \$30,000 cumulative per individual.
- Requires the Board or an entity it designates to receive and review applications for credits, authorize credits, issue tax credit certificates, address applications for deferral, receive and review applications for additional credits, authorize additional credits, and issue amended tax credit certificates for additional credits.

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## CONTENT AND OPERATION

### **Income tax credit for persons who earn degrees in science and technology-based fields of study**

(R.C. 3333.51(A), (B)(1), and (G))

The bill provides that, in order to encourage students to work in Ohio following graduation from an institution of higher education with a degree in an approved field of study, the Ohio Board of Regents may authorize any such individual who graduates on or after the effective date of the bill to claim a nonrefundable tax credit against the state income tax. The bill defines an "approved field of study" to mean a field of study in engineering, the natural sciences, or mathematics that the Board determines is associated with job creation and retention in Ohio. In making the determination, the Board must give priority to fields of study relating to information technology, power and propulsion, advanced materials, instruments and controls, electronics, and biotechnology and biosciences. "Institution of higher education" means all of the following: (1) a state university or college, community college, technical college, university branch, or state community college, (2) a private college or university, (3) a private career college or school, and (4) an institution similar to those described in (1) to (3) above that is located outside Ohio and that the Board determines qualifies as an "institution of higher education" under the bill.

### **Amount of the credit**

(R.C. 3333.51(B)(1)(a) to (c))

Except in cases in which additional tax credit amounts are given for additional degrees (discussed below), the total amount of the credit granted will depend on the type of degree earned. The credit for an associate degree is \$5,000; for a baccalaureate degree, \$20,000; and for a master's or doctoral degree, \$30,000.

### **Obtaining the credit--issuance of tax credit certificate**

(R.C. 3333.51(C) and (D))

In order to obtain the tax credit, an individual must submit an application to the Board demonstrating that the individual graduated from an institution of higher education with a degree in an approved field of study and including any other information required by the Board. After reviewing a submitted application, the Board must issue a tax credit certificate to an applicant who is qualified. The certificate must state the total amount of the credit, the taxable years for which the

credit may be claimed, and the maximum amount of credit that may be claimed for each taxable year, without regard to any credit carry forward (discussed below).

### **Claiming the credit**

(R.C. 3333.51(B)(2), 5747.81, and 5747.98)

Once the tax credit certificate is issued, a nonrefundable credit may be claimed against the state income tax. The credit must be claimed for the taxable years specified in the certificate. An individual approved for a credit must claim one-tenth of the total credit amount for the taxable year during which the individual receives approval for the credit from the Board and must claim one-tenth of the total credit amount for each of the succeeding nine taxable years.

The credit must be claimed in the order required by the income tax law (after application of the job retention credit and before the credit for losses on loans made under the Ohio Venture Capital Program). The amount of the credit taken in the proper order cannot exceed the state income tax due in any taxable year. In the event the credit would exceed the tax otherwise due, the excess may be taken as a credit in each ensuing taxable year for which the taxpayer is authorized by the certificate to claim a credit. However, the amount of any excess credit allowed in an ensuing taxable year must be deducted from the balance carried forward to the next taxable year. No credit carry forward may be claimed for any taxable year after the last taxable year for which the taxpayer is authorized to claim a credit under the certificate.

### **Age limitation**

(R.C. 3333.51(B)(2) and (3))

The Board cannot authorize any individual to claim a tax credit for any taxable year after the taxable year that includes the date on which the individual attains: (1) 33 years of age, with respect to an associate degree, baccalaureate degree, or master's degree, and (2) 35 years of age, with respect to a doctoral degree. If the individual is subject to the age limitations, the individual must claim one-tenth of the total credit amount for the taxable year during which the individual receives approval for the credit from the Board and must claim one-tenth of the total credit amount for each succeeding taxable year up to and including the taxable year during which the individual reaches the applicable age limitation. The age limitations apply regardless of any credit deferral granted by the Board (see discussion below).

## Deferral

(R.C. 3333.51(E)(2))

An individual who is issued a tax credit certificate by the Board and who, during the term of the credit, enrolls full time in an institution of higher education for the purpose of pursuing an additional degree in an approved field of study may elect to defer claiming the credit for the taxable years during any portion of which the individual is enrolled full time. An individual electing to defer a tax credit must apply to the Board for a deferral in the form and manner prescribed by the Board.

## Additional tax credit certificates for additional degrees

(R.C. 3333.51(E)(1), (3), (4), and (5))

An individual who is issued a tax credit certificate by the Board for an associate or baccalaureate degree may be issued additional certificates in the future for additional degrees in approved fields of study earned from an institution of higher education. If an individual does earn an additional degree, the total amount of the credit granted to the individual with respect to every preceding degree must be deducted from the total credit amount specified under the bill for the additional degree. The remaining credit amount after the deduction is the total amount of credit authorized for the additional degree. The total amount of credits authorized under the bill for an individual with respect to all degrees earned cannot exceed \$30,000.

Subject to the age limitations for claiming the credit (discussed above), an individual authorized to claim a credit for an additional degree in an approved field of study must claim one-tenth of the total credit amount authorized with respect to the additional degree for the taxable year during which the individual receives approval for the additional credit from the Board and must claim one-tenth of the total credit amount for each of the succeeding nine taxable years. The total amount of credit that may be claimed by an individual for any taxable year for all degrees earned cannot exceed \$30,000, unless the individual has a credit carry forward from a prior year.

Regardless of whether or not an individual obtained a deferral, to apply for a credit with respect to an additional degree in an approved field of study and to request that such credit be added to the total amount remaining with respect to a tax credit previously granted, an individual must file an application for credit. The Board must issue an amended tax credit certificate to an individual who qualifies for the additional credit. The amended certificate must state the total amount of the credit after the new credit is added to any pre-existing credit, the taxable years

for which the credit may be claimed, and the maximum amount of credit that may be claimed for each of those taxable years, without regard to any credit carry forward allowed under the bill.

**Board delegation of authority regarding tax credit duties**

(R.C. 3333.51(F))

The Board may designate an entity, including a nonprofit private organization, to perform the Board's duties under the bill. Those duties are (1) receiving and reviewing applications for credits, (2) authorizing credits, (3) issuing tax credit certificates, (4) addressing applications for deferral, (5) receiving and reviewing applications for additional credits, (6) authorizing additional credits, and (7) issuing amended tax credit certificates for the additional credit. An entity designated by the Board must perform those duties in accordance with the bill's requirements and rules adopted by the Board under the bill.

**Rulemaking authority**

The Board must adopt rules pursuant to the Administrative Procedure Act necessary to implement and administer the provisions of the bill, including rules that do the following:

(1) Identify fields of study that constitute "approved fields of study" (see discussion above under "**Income tax credit for persons who earn degrees in science and technology-based fields of study**" regarding the Board's duty to identify these fields);

(2) Identify institutions located outside Ohio that constitute "institutions of higher education";

(3) Specify information to be included on applications for a tax credit, for deferral of a tax credit, and for addition of a new credit to a pre-existing credit.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	09-29-05	p. 1648

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