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Bill Analysis
Legislative Service Commission

H.B. 361
126th General Assembly
(As Introduced)

Rep. Martin

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.
- Transfers responsibility for the credit's administration from the Director of Job and Family Services to the Director of Development.
- 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 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. Under current law, the Director of Job and Family Services administers the application process and performs other administrative functions associated with the credit. The training costs that qualify a taxpayer for a credit include direct instructional costs (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.

Administrative responsibilities transferred to the Director of Development

(R.C. 5717.02, 5725.31(B), 5729.07, 5733.42, and 5747.39(D); Section 3)

The bill transfers the responsibility for administering the job training tax credit program from the Director of Job and Family Services to the Director of Development, effective January 1, 2006. The bill requires that the Director of Development continue the program as the Director of Job and Family Services formerly administered the program. Any program business commenced but not completed before the January 1, 2006, transfer date must be completed by the Director of Development in the same manner, and with the same effect, as if the business were completed by the Director of Job and Family Services. All of the Director of Job and Family Services' rules, orders, and determinations regarding the program continue in effect as rules, orders, and determinations of the Director of Development until such time as the Director of Development modifies or rescinds them. The bill authorizes the Legislative Service Commission to renumber the Director of Job and Family Services' administrative rules regarding the program to reflect the program's transfer to the Department of Development.

The bill requires that the Director of Budget and Management determine the unexpended balances in the appropriation accounts pertaining to the Director of Job and Family Services and the Director's administration of the job training tax credit program. The Director of Budget and Management must then recommend to the Controlling Board that the unexpended balances be transferred to appropriation accounts of the Director of Development for the Director of Development to use in administering the program. The bill requires that the Director of Job and Family Services provide full and timely information to the Controlling Board to facilitate the transfers.

The bill specifies that the transfer of the job training tax credit program's administration to the Director of Development does not affect any action or proceeding pending on January 1, 2006. Any such action or proceeding is to be prosecuted and defended in the name of the Department of Development or its Director. Upon application to the appropriate court or agency, the Department of Development or its Director is to be substituted as a party in the action or proceeding.

Redeterminations

(R.C. 5717.02 and 5733.42(D))

Under current law, a taxpayer whose application for a job training tax credit is denied by the Director of Job and Family Services or whose existing credit is reduced by the Director may request that the Director review the denial or reduction. The Director is then required to issue a redetermination to the taxpayer affirming, reversing, or modifying the denial or reduction. The taxpayer may appeal the redetermination to the Board of Tax Appeals. The bill specifies that taxpayers may continue to appeal redeterminations to the Board of Tax Appeals after the Director of Development assumes responsibility for issuing redeterminations as part of the Director of Development's assumption of the credit's administration.

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 filed. The bill specifies that the Director of Development rather than the Director of Job and Family Services is to file the 2006 report and requires, further, that the Director of Development file an additional report in 2007.

Emergency clause

(Section 4)

The bill would take 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. 1648

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