



Stephen Estelle

*Bill Analysis*  
*Legislative Service Commission*

## **H.B. 548**

126th General Assembly  
(As Introduced)

**Reps. Hughes, Fende, Yuko, Cassell, R. McGregor, D. Evans, Latta, Williams, Widener**

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### **BILL SUMMARY**

- Creates a refundable tax credit against the personal income tax and commercial activity tax for businesses that participate in state-certified internship programs.
- Creates a refundable tax credit against the personal income tax and commercial activity tax for businesses that hire their former state-certified interns.

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### **CONTENT AND OPERATION**

#### **Internship-related tax credits**

The bill authorizes two tax credits: one for employing a post-secondary student as an intern and one for employing a former student-intern as a full-time employee.

#### **Internship credit**

The credit for employing a post-secondary student as an intern is worth \$500 and is refundable, meaning that if the credit exceeds the business's tax liability the business is entitled to a refund of the excess.

To qualify for the tax credit, an internship must be certified by the Ohio Board of Regents. To be certified, the internship must last for ten consecutive weeks, require the intern to work at least 20 hours per week, and pay at least \$2,000. The internship must also meet any additional criteria the Board establishes by rule. The Board's certification is to be evidenced by a tax credit certificate, which the Board must issue to the business.

The intern must be a student at a public or private college or university, a community or technical college, or a private career school located in Ohio. The intern and the business must enter into a written employment agreement. The agreement must include biographical data on the student, information about the business, and the terms of employment, such as the duration of the internship, compensation, hours of work, and a description of the tasks the business expects the intern to perform.

The internship credit applies to businesses subject to Ohio's commercial activity tax and to pass-through business owners (including sole proprietors) whose income from the business is taxable under the personal income tax. If an individual owns a share of a pass-through business, the individual may claim the individual's distributive share of the credit. But, a business or its owners may not claim a credit against both taxes for the same internship.

To claim the credit, the business must hold a tax credit certificate issued by the Ohio Board of Regents. The taxpayer need not submit the certificate with its tax return but must deliver a copy of it to the Tax Commissioner if the Commissioner requests it. A business may claim the internship credit against the commercial activity tax for the annual or quarterly tax period beginning after the year in which the internship is successfully completed, beginning January 1, 2007, or against the income tax for the taxable year in which the internship is successfully completed, beginning with taxable years beginning in 2006.

### **Post-internship employment credit**

The credit for employing a former intern as a full-time employee is worth \$1,000 and is refundable.

To qualify for the credit, the employee must have been employed by the business under a Board of Regents-certified internship program and must work full-time. "Full-time employment" means a work week of 35 hours or more, or a "standard of service" that is customarily regarded or defined in an employment contract as being full-time employment. The employee must work at least 36 consecutive months, unless the employee quits or is fired "for cause."

The post-internship employment credit applies to businesses subject to Ohio's commercial activity tax or to owners of pass-through businesses (including sole proprietors) whose income from the business is subject to the personal income tax. A credit may not be claimed against both taxes for the same employment. To claim the credit, the business must hold a tax credit certificate issued by the Ohio Board of Regents. The business need not submit the certificate with its tax return but must deliver a copy of it to the Tax Commissioner if the Commissioner requests it. A business may claim the credit against the commercial activity tax

for the annual or quarterly tax period following the first two years the former intern is employed. A business may claim the credit against the income tax for each of the first two taxable years in which the former intern is employed.

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## **HISTORY**

ACTION	DATE
Introduced	03-27-06

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