



Ralph D. Clark

Bill Analysis
Legislative Service Commission

H.B. 133

127th General Assembly
(As Introduced)

Reps. Hughes, Bacon, Huffman, Miller, R. McGregor, Flowers, Latta, Yuko, Wagoner, Widener, Adams, Stebelton, DeGeeter

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.

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. The underlying purpose of the tax credits, according to the bill, is to provide students at post-secondary schools located in Ohio with practical work experience and to foster long-term relationships between the students and Ohio employers.

Internship credit

(R.C. 3333.51, 5747.81, 5747.98, 5751.54, and 5751.98)

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 in accordance with rules the Board adopts. 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 under the rules. The Board's certification is to be evidenced by a tax credit certificate, which the Board must issue to the business upon completion of the internship.

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, such as the student's institution of attendance, birthdate, major, and expected date of graduation. The agreement must also include information about the business, including its location, number of Ohio employees, and business activities. The terms of employment must also be included, such as the duration of the internship, compensation, hours of work, and a description of the tasks the business expects the intern to perform. Finally, the agreement must require the business and student to evaluate the internship during its term and after its conclusion.

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 and the internship agreement to the Tax Commissioner if the Commissioner requests them. 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, 2008, or against the income tax for the taxable year in which the business's tax credit certificate is issued, beginning with taxable years beginning in 2007.

Post-internship employment credit

(R.C. 3333.51, 5747.82, 5747.98, 5751.55, and 5751.98)

The credit for employing a former intern as a full-time employee is worth \$2,000 total (\$1,000 per tax period or taxable year) 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. If an individual owns a share of a pass-through business, the individual may claim the individual's distributive share of the credit. A credit may not be claimed against both taxes for the same employment. A business may claim the credit against the commercial activity tax for each of the first two tax periods immediately following the 36 consecutive months during which the former intern is employed. A business may claim the credit against the income tax for each of the first two taxable years immediately following the 36 consecutive months during which the former intern is employed.

HISTORY

ACTION	DATE
Introduced	03-27-07

h0133-i-127.doc/kl