Ohio Legislative Service Commission

Bill Analysis

Sam Benham

H.B. 327

129th General Assembly
(As Introduced)

Reps. Gonzales, Baker, Brenner, Stebelton

BILL SUMMARY

- Provides for a six-year trial period during which the Ohio Tax Credit Authority may grant a job creation or job retention tax credit to an employer on the basis of employees who work from home and whose rate of pay is at least $9.50 per hour.
- Requires an employer with both home-based and employer site-based employees to obtain separate tax credit agreements for each class of employees.
- Continues the existing requirement, applicable only to the job retention credit, that an employer must make a minimum new capital investment and employ at least 500 full-time equivalent employees in Ohio.
- Requires the Director of Development to submit a report at the end of the six-year trial period on the effects of at-home employee tax credit agreements.

CONTENT AND OPERATION

Continuing law establishes job creation and job retention grant programs administered by the Ohio Tax Credit Authority (TCA) under which the TCA may authorize tax credits against specified taxes for creating or retaining jobs in Ohio. The taxes are the insurance company premium tax, the franchise tax on financial institutions, and the commercial activity tax. Depending on the program, the credit base is comprised of Ohio income tax withholdings, or incremental increases in Ohio income tax withholdings, from all employees "employed in the project." Under both programs, the "project" is, generally, the business's place of operations, as agreed to by the TCA and the business in a tax credit agreement.

The bill allows an employer to apply for a job creation or job retention credit on the basis of an employee whose services are performed primarily from the employee's

Ohio residence. The employee's services must be performed exclusively for the benefit of the project, and the employee must be paid at least $9.50 per hour.[1] The same tax credit agreement may not include income tax withholding from both home-based employees and other employees "employed in the project." If the employer intends to apply for a credit based on the withholding of home-based employees, then the employer is required to file a separate application with the TCA.[2] The term of any home-based employee tax credit agreement may not exceed the last day of the sixth taxable or calendar year following the bill's effective date.[3]

In order to qualify for the job retention credit under current law, employers must employ 500 or more full-time employees (or equivalent) and must agree to make a minimum amount of capital investment at the project site – at least $50 million for employers primarily engaged in manufacturing and at least $20 million for employers primarily engaged in corporate administrative functions. The investment must be made over a three-year period that includes at least one year when the tax credit applies. The bill extends these requirements to employers seeking the job retention credit on the basis of at-home employees.

The bill also requires the Director of Development to submit a report regarding the effect of allowing employers to include at-home employees in the computation of income tax revenue at the end of the six-year trial period. The report must state the number of tax credit agreements that include at-home employees in the credit computation, the total number of employees and the number of at-home employees covered by the agreements, and must include a description of the projects. The Director must submit the report to the Senate President, Speaker of the House, and the Governor by January 1 of the seventh year after the year the bill takes effect.[4]

HISTORY

ACTION	DATE
Introduced	09-20-11

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[1] R.C. 122.17(A) and 122.171(A).

[2] R.C. 122.17(C) and 122.171(C).

[3] R.C. 122.17(C) and 122.171(B).

[4] R.C. 122.17(O) and 122.171(N). (The version of R.C. 122.171 appearing in the bill does not reflect recent amendments made by H.B. 153.)