Ohio Legislative Service Commission

Bill Analysis

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Sub. H.B. 327

129th General Assembly
(As Reported by S. Ways & Means & Economic Development)

Reps. Gonzales, Baker, Brenner, Stebelton, Buchy, Amstutz, Antonio, Blessing, Boose, Bubp, Combs, Conditt, Damschroder, Derickson, DeVitis, Dovilla, Garland, Hackett, C. Hagan, Hall, Henne, Huffman, Johnson, Luckie, Lynch, Maag, Mallory, Milkovich, Newbold, O'Brien, Pelanda, Ruhl, Sears, Sprague, Stautberg, Stinziano, Uecker, Wachtmann, Young, Batchelder

Sens. Schaffer, Beagle, Tavares

BILL SUMMARY

- Provides for a six-year trial period during which the Ohio Tax Credit Authority may grant a job creation tax credit to an employer on the basis of employees who work from home and whose rate of pay is at least 131% of the federal minimum wage.
- Requires an employer with both home-based and employer site-based employees to obtain separate tax credit agreements for each class of employees.
- 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 a job creation grant program administered by the Ohio Tax Credit Authority (TCA) under which the TCA may authorize tax credits against specified taxes for creating jobs in Ohio. The taxes are the insurance company premium tax, the franchise tax on financial institutions, and the commercial activity tax. The credit base is comprised of Ohio income tax withholdings from all employees "employed in the project." 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 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 131% of the federal minimum wage.[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] An employer is prohibited from applying for a job creation tax credit on the basis of home-based employees until the employer employs 200 more employees than were employed on June 30, 2011.[3] 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.[4]

The bill authorizes the Director of Development to include in a home-based employee tax credit agreement a provision requiring the employer to make available health care benefits and tuition reimbursement to all employees.[5] Furthermore, each taxpayer subject to a home-based employee tax credit agreement is required to annually report the number of home-based and other employees employed in Ohio to the Department of Development.[6]

The bill 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 report must also include an analysis of nationwide home-based employment trends, including the number of home-based jobs created from July 1, 2011, through June 30, 2017, and home-based employee tax incentives offered by other states during that period. 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.[7]

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[1] R.C. 122.17(A). The federal minimum wage currently is $7.25 per hour. This implies a minimum qualifying wage for home-based employees of $9.50 per hour.

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

[3] R.C. 122.17(D).

[4] R.C. 122.17(D).

[5] R.C. 122.17(Q).

[6] R.C. 122.17(O).

[7] R.C. 122.17(P).

HISTORY

ACTION	DATE
Introduced	09-20-11
Reported, H. Economic and Small Business Development	03-27-12
Passed House (91-0)	04-18-12
Reported, S. Ways & Means & Economic Development	05-08-12

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