



Ohio Legislative Service Commission

Bill Analysis

Mackenzie Damon

S.B. 322

129th General Assembly
(As Introduced)

Sens. Gentile, Kearney, Tavares, Schiavoni

BILL SUMMARY

- Authorizes a temporary income tax withholding credit for a manufacturer that expands production or that restarts production at an idle manufacturing facility.
- Applies to such manufacturers only if monthly wages increase by at least \$750,000 within six months.

CONTENT AND OPERATION

Withholding tax credit for manufacturers that expand or restart production

The bill authorizes an income tax withholding credit for employers that expand or restart production at a manufacturing facility in the state. Under the bill, an employer may claim the credit by retaining the income taxes it withholds from wages paid to facility employees during a designated six-month credit period, instead of remitting those taxes to the state.

Eligibility and credit application

An employer is eligible to claim the proposed credit if the employer meets each of the following requirements at any time before January 1, 2016:

- (1) The employer is engaged in manufacturing and is required to withhold income taxes from the compensation it pays to employees;
- (2) The employer expands production at a manufacturing facility or restarts production at a facility that has been idle for at least the past 12 months;
- (3) Within six months after production restarts or expands, the total wages paid to employees of the manufacturing facility increase by at least \$750,000 over the total

amount paid to such employees during the month that preceded the month in which production restarted or expanded.

Under the bill, an eligible employer must apply to the Tax Commissioner to receive the credit. If the employer meets the requirements described above, the Commissioner must authorize the credit within 30 days after receipt of the application. With approval of the credit, the Commissioner must also designate a credit period of six consecutive months, during which the employer is not required to remit the income taxes withheld from wages paid to its employees.

Claw-back provision

Under the bill, an employer must increase the average monthly wages paid to facility employees by at least \$1 million over the total amount paid to such employees in the month before production expanded or restarted and maintain that minimum increase for three years. If, during any one of the three years after the end of the employer's credit period, average monthly wages fall below this level, the employer must repay a portion of the total credit amount, plus a 10% penalty and interest. The percentage of the credit amount that an employer must repay is based upon the amount by which average monthly wages fall below \$1 million.¹

Employee tax liability

The proposed credit does not affect the income tax liability of employees; under the bill, an employee is considered to have paid the amount of taxes withheld and retained by an employer for purposes of both the state and school district income taxes.

Interaction with Job Creation and Job Retention Tax Credits

The bill specifies that, if an employer receives a credit under the bill based on employee income tax withholdings, the employer may not also claim a Job Creation Tax Credit or Job Retention Tax Credit based on those same employee tax withholdings.²

HISTORY

ACTION	DATE
Introduced	04-03-12

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¹ R.C. 5747.073.

² R.C. 122.17 and 122.171.

