



Ohio Legislative Service Commission

Bill Analysis

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H.B. 107

130th General Assembly
(As Introduced)

Reps. Baker, J. Adams, Barborak, Gonzales, Henne, Stebelton

BILL SUMMARY

- Authorizes a nonrefundable tax credit for businesses that employ high school students in career exploration internships, equal to 50% of the wages paid to the student intern, up to a \$5,000 credit.
- Requires businesses seeking the tax credit to submit an application and a completion report to the Development Services Agency (DSA) for approval before being eligible for a tax credit.
- Limits each business to no more than three such tax credits in a calendar year.
- Requires DSA to annually compile a report including the number of internships approved, the number of interns retained by businesses after the commencement of the internship, the number of tax credits issued, and the statements provided by the student interns before and after the internship.
- Caps the sum of all tax credits issued for career exploration internships at \$2 million.
- Limits the application period to three years.

CONTENT AND OPERATION

The bill authorizes a tax credit for sole proprietorships, corporations, and pass-through entities that employ a student intern in an internship position that instills education, instruction, and experience relevant to the student intern's career aspirations. The tax credit equals 50% of the wages paid to the student intern, up to a maximum credit of \$5,000 per intern per year. The credit may be applied against the domestic or foreign insurance company tax, the financial institutions tax, the natural gas excise tax,

the public utilities excise tax, the kilowatt-hour tax, the natural gas distribution tax, or the individual income tax depending on the business claiming the credit.¹

The credit must be applied for within three years after the bill takes effect.²

Eligibility

The bill specifies eligibility requirements for the student intern and the business applying for the tax credit. At the time the business applies for the credit, the student intern must be eligible to attend school in Ohio, be between 16 and 18 years of age or enrolled in grade 11 or 12, and have a cumulative grade point average of at least 2.5 out of 4.0.³

The business must employ the student intern for at least 20 weeks and for at least 200 hours of paid work and instruction. The credit is calculated on the basis of the amount of wages paid to the student intern during the 12 months following approval of the credit application. However, a business is permitted to submit an abbreviated renewal application for the same student intern following receipt of a tax credit certificate if the student intern continues to meet the eligibility requirements at the time of renewal. No business may receive a tax credit for more than three career exploration internships in a calendar year.⁴

Application procedure

The bill requires businesses seeking a career exploration internship tax credit to apply to the Development Services Agency (DSA) before the start of the internship. The application must include a brief description of the internship; the name, address, and telephone number of the business; a signed statement by the student intern describing career aspirations and how the internship may help achieve those goals; a signed statement by a principal or guidance counselor at the student intern's high school (or by an individual responsible for administering instruction if the student intern is home-schooled) acknowledging that the employment opportunity qualifies as a career exploration internship; and any other information required by DSA.⁵

¹ R.C. 122.177(A), (B), and (D).

² R.C. 122.177(C)(1).

³ R.C. 122.177(A)(3).

⁴ R.C. 122.177(B), (D), and (H).

⁵ R.C. 122.177(B).



The Development Services Agency is required to review and make a determination with respect to each application in the order in which it was received. DSA is required to approve any application received before the bill's three-year sunset unless the application is incomplete, the proposed employment relationship does not qualify as a career exploration internship, approving the application could result in exceeding the \$2 million tax credit ceiling, or the business is otherwise ineligible to obtain a tax credit certificate.

The bill requires DSA to send written notice of its determination to the applying business within 30 days after receiving of the application. If the application is not approved, the notice must include the reasons for the determination. DSA's determination with respect to a tax credit application is final and may not be appealed. However, a business may submit a new or amended application at any time.⁶

Internship completion report

To receive the tax credit, the business must send a report to DSA within 30 days after the end of the career exploration internship or 13 months after the approval of the application, whichever comes first. The report must include the date the internship began, the date the internship ended (or a statement that the student intern will continue to be employed by the business), the total number of hours during the internship that the intern was employed by the business, the total wages paid by the business to the intern, a signed statement by the intern describing the duties performed during the internship and the skills and experiences gained, and any other information required by DSA.

If DSA receives the report and concludes that the report is complete and that the career exploration internship complies with the eligibility requirements, the agency must issue a tax credit certificate to the business. If a business engages in a qualifying internship with the same student for which it previously received a credit, the business may submit an abbreviated application that excludes the signed statements by the student intern and the student intern's principal or guidance counselor.⁷

Tax credit certificates

The bill limits the sum of all tax credit certificates issued by DSA for career exploration internships to \$2 million.⁸ A business that receives a tax credit certificate is

⁶ R.C. 122.177(C).

⁷ R.C. 122.177(D) and (H).

⁸ R.C. 122.177(D)(3).

required to claim the certificate for the tax period in which the certificate is issued. The tax credit certificate is nonrefundable, but any excess credit may be carried over for three years. Businesses may not transfer career exploration tax credits to any other person, but permits equity owners of pass-through entities to claim the owner's distributive or proportionate share of the credit.⁹

False information

The bill establishes a procedure whereby DSA is required to investigate allegations that a business presented or contributed to the presentation of false information in connection with obtaining a career exploration tax credit. Upon receipt of such an allegation, DSA is required to send written notice to the business that it will be penalized if it finds the allegation to be true. After giving the business an opportunity to be heard, DSA is required to make a determination with respect to the allegation.

If DSA determines that the business did submit or contribute to the submission of false information, the agency may revoke any remaining tax credit available to the business and send written notice of the revocation to the business and the Tax Commissioner. The Tax Commissioner is permitted to make an assessment against the business to recapture any amount of the tax credit already claimed. DSA is prohibited from approving any career exploration internship tax credit application or issuing a career exploration tax credit certificate to a business found to have submitted or contributed to the submission of false information.¹⁰

Report

The bill requires DSA to compile an annual report about the career exploration tax credit before January 7 of each year. The report must include the number of internships approved by DSA, the student intern statements in the tax credit applications and completion reports, the number of student interns that continued employment with the business after the commencement of the internship, and the total amount of career exploration internship tax credit certificates issued by DSA. The bill prohibits DSA from disclosing any of the student interns' personally identifiable information in the report. DSA is required to provide copies of the report to the Governor, the Speaker and Minority Leader of the House of Representatives, and the President and Minority Leader of the Senate.¹¹

⁹ R.C. 122.177(E) and (G).

¹⁰ R.C. 122.177(J).

¹¹ R.C. 122.177(I).



HISTORY

ACTION

DATE

Introduced

03-20-13

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