



# Ohio Legislative Service Commission

## Bill Analysis

Sam Benham

### H.B. 405

130th General Assembly  
(As Introduced)

**Reps.** Budish and Hottinger, Patterson, Boyd, Barborak, Reece, Ruhl, R. Hagan, Lundy, Mallory, Winburn, Pillich, Perales, Hood, Stebelton, Grossman

---

## BILL SUMMARY

- Allows a nonrefundable income tax credit for an Ohio resident who has earned a degree in science, technology, engineering, or math-based fields of study after the effective date of the bill.
- Allows a \$5,000 credit for an associate's degree; \$20,000 for a baccalaureate degree; and \$30,000 for a master's or doctoral degree.
- Allows an individual to receive additional credits for obtaining more advanced degrees.
- Requires the recapture and forfeiture of the credit if the claimant does not remain an Ohio resident for five years.

---

## CONTENT AND OPERATION

### STEM degree tax credit

The bill allows a nonrefundable credit against the income tax for an Ohio resident who has obtained an associate's, baccalaureate, master's, or doctoral degree from an institution of higher education in an approved field of study on or after the bill's effective date. The bill states that the credit is allowed to develop and maintain a highly qualified workforce and to improve the economic welfare of all Ohioans.

"Institutions of higher education" means state colleges, universities, and branches thereof, the Medical College of Ohio, private, accredited, non-profit colleges and universities, private for-profit colleges and universities, state and non-state community colleges, technical colleges, career schools and colleges, and any similar institution not

located in Ohio that is designated as an institution of higher education by the Ohio Board of Regents for purposes of the credit. "Approved field of study" means a field of study in the natural sciences, technology, engineering, or mathematics that the Board determines is associated with job creation and retention in Ohio.<sup>1</sup> In identifying approved fields of study, the Board is required to give priority to those related to information technology, power and propulsion, advanced materials, instruments and controls, electronics, and biotechnology and biosciences.<sup>2</sup>

The credit equals \$5,000 for an associate's degree, \$20,000 for a baccalaureate degree, and \$30,000 for a master's or doctoral degree. The credit must be claimed in increments of one-tenth over ten consecutive years beginning with the individual's taxable year in which the individual's credit application was approved.<sup>3</sup> (There appears to be no deadline by which an individual must apply for the credit after the degree is received.) If the credit exceeds the individual's tax liability, the individual may carry forward the unused credit to ensuing taxable year.<sup>4</sup>

An individual who has been allowed a credit for an associate's or baccalaureate degree may receive an additional credit by obtaining a more advanced degree from an institution of higher education in an approved field of study. The additional credit equals the credit amount for the more advanced degree less the credit the individual has been allowed for less advanced degrees.<sup>5</sup>

## Credit application

An individual seeking a credit must apply to the Ohio Board of Regents or its designee on a form approved by the Board or designee (see "**Board of Regents**") and must submit any documents required by the Board or designee. If the individual qualifies for a credit, the Board or designee must issue a tax credit certificate, which must state the individual's name and social security number, the date the credit application was approved, the credit amount, and the taxable years for which the credit must be claimed.<sup>6</sup>

---

<sup>1</sup> R.C. 3333.51(A).

<sup>2</sup> R.C. 3333.51(F).

<sup>3</sup> R.C. 3333.51(B)(1).

<sup>4</sup> R.C. 5747.82.

<sup>5</sup> R.C. 3333.51(D)(1).

<sup>6</sup> R.C. 3333.51(C).

## **Credit deferral**

An individual who has been allowed a credit and who seeks to obtain a more advanced degree may apply to the Ohio Board of Regents or the Board's designee to defer claiming the credit and any related carry-forward. To receive the deferral, the individual must either be enrolled full-time in an institution of higher education in an approved field of study or serving in active duty as a member of the National Guard or the reserves of the United States Armed Forces. If the deferral is approved, an individual enrolled in an institution of higher education must begin claiming the credit for the taxable year in which the individual is no longer a full-time student in an institution of higher education in an approved field of study, or the taxable year in which the individual receives a credit for the more advanced degree, whichever is earlier. An individual approved for deferral on the basis of serving in active duty must begin claiming the credit for the next taxable year that does not include the period of the individual's active duty deployment. An individual must apply for either deferral on a form approved by the Board or the Board's designee and must submit supporting documents required by the Board or designee.<sup>7</sup>

## **Credit reclamation**

An individual who has been allowed a credit may claim it only if the individual remains an Ohio resident for the first five consecutive taxable years for which the credit must be claimed. (Periods of deferral are not considered years for which the credit must be claimed.) An individual who fails to do so is liable to the state for credit taken and forfeits any unused credit and any credit carry-forward. Amounts owed to the state are considered as taxes and may be collected by assessment.<sup>8</sup>

## **Board of Regents**

The bill requires the Ohio Board of Regents to identify institutions of higher education and approved fields of study, and to specify the information required to be disclosed in credit certificate and deferral applications and the documents required to be submitted. The Board may designate an entity to perform the administrative functions necessary to operate the credit program. The entity may be a non-profit private organization.<sup>9</sup>

---

<sup>7</sup> R.C. 3333.51(D)(2).

<sup>8</sup> R.C. 3333.51(B)(2).

<sup>9</sup> R.C. 3333.51(E) and (F).

---

## HISTORY

ACTION

DATE

Introduced

01-21-14

H0405-I-130.docx/ks

