Ohio Legislative Service Commission

Phil Cummins

Fiscal Note & Local Impact Statement

Bill: H.B. 107 of the 130th G.A.

Date: June 12, 2013

Status: As Introduced

Sponsor: Rep. Baker

Local Impact Statement Procedure Required: No

Contents: Authorizes a tax credit for businesses that employ high school students in career exploration internships

State Fiscal Highlights

- The bill authorizes business tax credits for employing interns meeting specified criteria, generally high school students.
- The tax credits are applicable to several state taxes and may reduce revenue to the GRF and other funds by up to $2 million.
- Credits must be approved by the Development Services Agency, and may only be approved during a three-year period starting on the effective date of the bill.
- Carry-forwards of unused credits are permitted for up to three tax years.
- Reductions in GRF revenue would reduce transfers to the Local Government Fund (Fund 7069) and the Public Library Fund (Fund 7065) by up to approximately $34,000 to each fund (a total of $68,000) during the life of the program.

Local Fiscal Highlights

- Distributions of funding to units of local government and libraries from the state's Local Government Fund and Public Library Fund would reduce revenue of these entities.
- Local taxes are not included in the list of taxes against which the internship tax credits may be claimed.

Detailed Fiscal Analysis

The bill authorizes a nonrefundable tax credit for businesses that employ interns meeting specified criteria, generally high school students.[1] These career exploration internships are paid employment relationships providing interns with education, instruction, and experience relevant to their career aspirations. Each internship must last at least 20 weeks and include at least 200 hours of paid work and instruction. Businesses may claim a tax credit for half of the wages paid to the student intern, up to $5,000. Each business is limited to three interns under this program in any calendar year.

To qualify for the credit, the business must apply to the Development Services Agency prior to the start of the internship. Credits are applicable to wages paid in the first 12 months following approval of this application. Businesses may use the credits against any of specified state taxes that include the personal income tax, financial institutions tax, domestic and foreign insurance taxes, public utility excise tax, natural gas distribution (MCF) tax, and kilowatt-hour tax. If credits exceed taxes otherwise due in a tax year, the unused excess may be carried forward for up to three years.

The sum of all tax credits that may be approved by the Development Services Agency is limited to $2 million. Applications for participation in the program may not be approved more than three years after the effective date of the bill.

Because of the cap on total credits that may be approved, the maximum loss of state tax revenue over the life of the program is $2 million. Most of the loss would likely be to the GRF, but not all of the revenue from the taxes against which the credits may be claimed is GRF revenue. The losses could all be realized in the first year of the program, or might be spread over up to seven years. The three-year period during which applications could be approved is likely to include parts of four tax years, and unused credits may be carried forward for up to three additional tax years.

The Development Services Agency would incur some administrative costs from processing applications, and from publishing a required annual report about the program. Any such costs are likely to be minimal. The bill does not specify whether the Department may charge an application fee to defray such costs.

None of the taxes against which the credits may be used are local taxes. However, to the extent that the program reduces state GRF tax revenue, local governments as well as public libraries that receive state funding through the Local Government Fund (Fund 7069) and the Public Library Fund (Fund 7065) would lose revenue. The maximum loss of revenue to each of these two funds during the life of the

[1] The bill provides that an intern under this program must be entitled to attend school in this state, be 16 to 18 years of age or enrolled in grade 11 or 12, and have a cumulative grade point average of at least 2.5 (4.0 scale) or its equivalent in State Board of Education rules.

internship credit program would be approximately $34,000, assuming all or most of the $2 million of credits was claimed against GRF taxes.[2] Because funds from the Local Government Fund and Public Library Fund are distributed widely among units of local government and libraries, the corresponding losses to any individual local government unit or library would be small.

HB0107IN.docx/jc

[2] Under current law, funding to these two funds in FY 2014 and thereafter will be based on percentages of GRF tax revenue calculated by dividing amounts distributed to each fund in FY 2013 by total GRF tax revenue in that year. These percentages will not be known until after the end of the current fiscal year. They were estimated in February by the Office of Budget and Management at 1.69% for Fund 7069 and 1.67% for Fund 7065.