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H.B. 197
134th General Assembly

Bill Analysis

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Version: As Reported by House Ways & Means

Primary Sponsors: Reps. Stoltzfus and Creech

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CORRECTED VERSION*

SUMMARY

- Authorizes a temporary nonrefundable income tax credit of up to \$25,000 per year for training expenses paid by employers to train employees to operate a commercial vehicle.
- Limits the total amount of credits that may be awarded each year to \$1.5 million.

DETAILED ANALYSIS

Tax credit for commercial vehicle operator training expenses

The bill authorizes a temporary nonrefundable personal income tax credit of up to \$25,000 for employers that train their employees to be commercial vehicle operators.¹ As a credit against the income tax, it may be claimed by employers that are sole proprietors or organized as a pass-through entity such as a partnership, limited liability company, or S corporation owned at least in part by an individual, estate, or trust; it would not be available to corporations other than those electing S corporation status.

Application process

The credit is available for expenses, other than wages, paid to train employees to obtain a commercial driver's license (CDL) or to operate a commercial motor vehicle. To obtain the credit, an employer must first apply to the Director of Development with an estimate of the training expenses that the employer expects to pay in the upcoming year. The Director may certify up to \$50,000 of estimated training expenses as eligible for the tax credit.

* Corrects an error regarding the total amount of credits that may be awarded each year.

¹ R.C. 122.91, 5747.82, and 5747.98.

Then, in January of the year after the year the expenses are incurred, the employer applies to the Director for the tax credit, which equals one-half of the employer's actual training expenses. The application must include an itemized list of training expenses for each employee that received credit-eligible training. Upon approval, the Director issues the employer a tax credit certificate indicating the amount of the credit. The Director must also notify the Department of Taxation of each certificate issued.²

Credit limits

The maximum credit allowed to any employer per year is \$25,000 (one-half of \$50,000, the maximum amount of certifiable training expenses). The total amount of credits awarded in any year may not exceed \$1.5 million (i.e., 50% of the maximum \$3 million in credit-eligible training expenses the Director may annually certify). However, if, in any year, the amount of credits awarded is less than \$1.5 million, the difference may be carried forward and added to the maximum amount that may be awarded the following year.³

Carry forward

The credit is nonrefundable, which means that the credit may not exceed a taxpayer's tax liability in any year. However, if the credit does exceed a taxpayer's liability for a particular year, the taxpayer may carry forward and apply the difference to a future tax liability for up to five years.⁴

Reporting requirements

Each employer that is issued a tax credit certificate must report to the Director of Development by January 21 of the following year whether any employees whose training is the basis of that credit quit or were fired during the year in which the certificate was issued. The employer must also report the credit attributable to those employees, as well as any other information requested by the Director.

The Director must compile that information and annually report to the General Assembly the number of all such employees reported in that year, the total amount of issued credits attributable to those employees, and any other information the Director determines is necessary.⁵

Application date and rules

The credit applies to training expenses paid on or after January 1, 2022, but before January 1, 2026.⁶

² R.C. 122.91(A) to (C).

³ R.C. 122.91(B).

⁴ R.C. 5747.82.

⁵ R.C. 122.91(D).

⁶ R.C. 122.91(B).

The bill requires the Director of Development to adopt rules, in consultation with the Tax Commissioner, necessary to administer the credit, which must include a description of the types of expenses that would qualify for the credit. These proposed rules must be prepared and filed within 150 days after the provision's effective date.⁷

HISTORY

Action	Date
Introduced	03-10-21
Reported, H. Ways & Means	06-09-21

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⁷ R.C. 122.91(E) and Section 3.