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S.B. 264
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Williams

Sam Benham, Attorney

SUMMARY

- Authorizes a nonrefundable tax credit for a business that makes one or more payments on the education loans of an employee who lives and works in Ohio.
- Specifies that the amount of the credit equals 25% of the payment amounts, up to a maximum of $1,500 per employee per calendar year.
- Allows the credit to be claimed against the state income tax, commercial activity tax (CAT), financial institutions tax (FIT), foreign and domestic insurance premiums taxes, or petroleum activity tax (PAT).
- Requires the business to apply to the Chancellor of Higher Education for a tax credit certificate before claiming the credit.
- Requires the Chancellor to administer two application periods each year.

DETAILED ANALYSIS

Education loan repayment credit

The bill authorizes a nonrefundable tax credit for a business that makes one or more payments on the education loans of an employee who lives and works in Ohio. The credit equals 25% of the payment amounts, up to a maximum of $1,500 per employee per calendar year. The credit may be claimed against the state income tax, CAT, FIT, foreign and domestic insurance premiums taxes, or PAT.[1]

[1] R.C. 3333.93(B) and (C)(5).

Conditions

To qualify for the credit, the business must remit the payment directly to the employee's lender after the bill's effective date. The payment must be applied against the outstanding principal and interest on an "education loan," which is debt undertaken by an individual to pay the tuition and related expenses required to earn a degree, certification, or license from an institution of higher education. Under continuing law, the term "institution of higher education" includes a state university or university branch, community college, technical college, private college or university, or accredited postsecondary institution. The term includes both in-state and out-of-state institutions if they are appropriately accredited. Education-related debt that is consolidated with debt incurred for other purposes does not qualify as a credit-eligible loan.

For an employer to qualify for the credit, the employee must be a resident of Ohio for whom the business is required to withhold Ohio income tax (signifying that the employee is a bona fide employee – not a contractor – and works in Ohio). The employee must not own a controlling interest in the business or be related to an individual who owns a controlling interest in the business. A business may apply for and receive a credit for payments made on the education loan of a former employee as long as the former employee was employed by the business and met the criteria described above at the time the payment was made.[2]

Application

To claim the credit, a business must apply to the Chancellor of Higher Education. The application must include the amount and date of loan payments the business made, the tax against which the employer prefers the credit to be claimed, and identifying information for the business, employee, and institution of higher education.

If the application includes payments made on behalf of more than one employee, it must be structured in a way that allows the Chancellor to determine which payment was made on behalf of which employee.

The bill requires the Chancellor to award credits in two application periods each year - the first period covers loan payments made from January through June, and the second period covers payments made from July through December. Tax credit applications must be submitted by August 15 for the first application period and by February 15 for the second period. The Chancellor must approve or deny each application and notify the applicant business of that determination within 90 days after the respective application deadline.[3]

Approval

If an application is approved, the Chancellor must send the business a tax credit certificate showing the amount of the credit and the tax against which it may be claimed, which

[2] R.C. 3333.93(A)(2) and (3), (B), and (D), R.C. 3334.01, not in the bill, and Section 3 of the bill.

[3] R.C. 3333.93(C), (D), (E), and (F).

must be the tax identified in the application. The Chancellor must also send a copy of the approved application and the tax credit certificate to the Tax Commissioner or, if the credit applies to one of the insurance premiums taxes, to the Superintendent of Insurance.

The tax credit must be claimed for the taxable year or tax period in which the tax credit certificate is issued. If the business is a pass-through entity and the credit is to be claimed against the state income tax, each equity owner of the business may claim the distributive or proportionate share of the credit for the owner's taxable year that includes the last day of the business's taxable year in which the certificate was issued.

The credit is nonrefundable. If the amount of the credit exceeds the amount of tax otherwise due, the remainder of the credit is forfeited. The Commissioner or the Superintendent may require a business to maintain records of loan payments or provide additional information as necessary to support a claim for the credit. The bill requires businesses to retain a copy of the tax credit certificate for at least four years following the date it is issued by the Chancellor.[4]

HISTORY

Action	Date
Introduced	01-28-20

S0264-I-133/ts

[4] R.C. 3333.93(F), (G), and (H); conforming changes in R.C. 5725.98, 5726.98, 5729.98, 5747.98, and 5751.98.