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H.B. 523
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Reps. Patterson and Carfagna

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SUMMARY

- Establishes the STEM Degree Loan Repayment Program, under which the Chancellor of Higher Education must make student loan payments on behalf of eligible individuals who received a STEM degree from an Ohio institution of higher education and are employed in Ohio in a STEM-related field.
- Authorizes a refundable tax credit for employers who make payments on student loans obtained to earn a STEM degree.
- Makes an appropriation.

DETAILED ANALYSIS

STEM Degree Loan Repayment Program

The bill requires the Chancellor of Higher Education to establish and administer the STEM Degree Loan Repayment Program. Under the program, the Chancellor must make student loan payments on behalf of an individual who received a science, technology, engineering, or math (STEM) degree from an institution of higher education in Ohio and is employed in Ohio in a STEM-related field. The Chancellor must adopt rules for the program and operate it from July 1, 2021, through June 30, 2026, unless otherwise determined by the General Assembly.¹

Eligibility criteria

To be eligible to participate in the program, an individual must:

1. Be an Ohio resident;

¹ R.C. 3333.27(B) and (C).

2. Be a U.S. citizen, a U.S. permanent resident, or an alien authorized to work by the U.S. Department of Homeland Security;
3. Hold an associate's degree or a bachelor's degree awarded on or after July 1, 2020, by a state institution of higher education, a private nonprofit university or college, or a private for-profit career college;
4. Have outstanding student loans for that degree;
5. Be employed in Ohio in a STEM-related field, as determined by the Chancellor in consultation with specified stakeholders; and
6. Be employed by an entity with a valid Ohio mailing address or self-employed using a valid Ohio mailing address.²

Application process

The bill requires the Chancellor to establish a form and procedures for applications to the program. In addition to proof of employment in Ohio in a STEM-related field, the application form must include:

1. The STEM-related field in which the applicant is employed and the applicant's major or the STEM-related field in which the applicant received a degree;
2. Any payment, money, or benefit the applicant already receives, if any, from the applicant's employer to go toward any student loan repayment; and
3. Other information the Chancellor considers necessary.

The Chancellor must conduct two application periods each year, with one application period with a deadline of June 30 and another with a deadline of December 31. The Chancellor must notify an applicant of the Chancellor's decision within 90 days of the application deadline.³

Disbursal and amount of awards

Upon receiving evidence that a participant is employed in Ohio, the Chancellor must make semiannual payments directly to the participant's lender. The participant must provide proof of employment in Ohio in a STEM-related field as frequently as, and in the manner, required by the Chancellor. If the participant has more than one loan, the Chancellor must determine the method by which payments are disbursed and for which loan. Additionally, the Chancellor is prohibited from making payments for more than one loan.⁴

In granting awards under the program, the Chancellor must give preference to a participant to whom one or more of the following applies:

² R.C. 3333.27(A).

³ R.C. 3333.27(D)(1) and (2).

⁴ R.C. 3333.27(F)(2) and (H).

1. The participant has an in-demand job, as determined under continuing law;
2. The participant has a job in a STEM-related field that is located in a distressed area, as defined under continuing law; or
3. The participant has a job in a STEM-related field that is located in an area of Ohio with fewer jobs in STEM-related fields, as determined by the Chancellor.⁵

Each participant in the program is eligible to receive an annual award for a period up to five years. The amount of the award is based on the participant's highest level of educational attainment. A participant with an associate's degree must receive an annual award amount of \$2,000, while a participant with a bachelor's degree receive an annual award amount of \$6,000. The Chancellor must disburse an award on behalf of a participant in two payments per year, one on April 30 and another on October 31.⁶

The Chancellor must pay awards on behalf of a participant as long as the General Assembly appropriates funds for the program or there are sufficient funds in the STEM Degree Loan Repayment Program Fund. If the amounts available for support of the program are insufficient to provide awards to all participants in a fiscal year, the Chancellor must proportionately reduce the amount of each award for the fiscal year.⁷

A participant continues to be eligible for awards under the program, and the Chancellor must continue to make payments on behalf of the participant, as long as the participant remains employed in Ohio in a STEM-related field and eligible to legally work in the United States. If the participant changes places of employment, the participant must notify the Chancellor of the change and the Chancellor must verify that the participant's new employment is in a STEM-related field. Generally, the Chancellor must cease making payments on behalf of an eligible participant once the participant's loans are paid in full or once the participant has received payments for a total of five years, whichever occurs first.⁸

However, the Chancellor also must cease making payments on behalf of a participant who ceases to be employed in a STEM-related field until the participant finds new employment in a STEM-related field and reapplies for the program. A participant may reapply as long as the individual meets the program's requirement and previously participated in the program for less than five years. A participant who reapplies remains eligible for the program for only a total of five years, which includes the time the participant received a benefit from the program prior to reapplying. The Chancellor must approve or deny an application to re-enroll in the program based on standards the Chancellor adopts.⁹

⁵ R.C. 3333.27(E)(5).

⁶ R.C. 3333.27(B), (E)(1) and (3), and (F)(1).

⁷ R.C. 3333.27(E)(2) and (4).

⁸ R.C. 3333.27(E)(2) and (F)(3).

⁹ R.C. 3333.27(D)(3) and (F)(3), second paragraph.

Promissory note

Each participant must sign a promissory note payable to the state in the event that the participant does not satisfy the employment requirements. The amount payable under the note is the total amount of loan repayment made on behalf of the participant prorated for the period that the participant worked in the state in a STEM-related field. Terms of repayment are to be determined by the Chancellor, and the note must stipulate that the obligation to make repayments is canceled if the recipient dies or becomes totally and permanently disabled.¹⁰

Report

By December 31 each year, the Chancellor must issue a report on the program to the General Assembly and the Governor. The report must include:

1. The total number of eligible participants;
2. The total number of applicants;
3. The fields of study in which the eligible participants received their degrees
4. The STEM-related fields in which the eligible participants are employed;
5. Salary information of eligible participants;
6. The state of residence of eligible participants, prior to receiving a STEM degree loan repayment;
7. The total amount of student loan debt of eligible participants and applicants; and
8. An analysis of the data reported in the above items, including an evaluation of the program's effect on retaining people with STEM degrees in the state.¹¹

Appropriation

The bill establishes the STEM Degree Loan Repayment Program Fund in the state treasury, requires the Director of Budget and Management to transfer to that fund \$15 million from the General Revenue Fund on July 1, 2021, or as soon as possible thereafter, and appropriates that money in FY 2022 for the program.¹²

Income tax: employer STEM loan repayment tax credit

The bill authorizes a refundable tax credit for businesses who make payments on student loans obtained to earn a STEM degree. The credit is awarded by the Chancellor of Higher Education and may be claimed against one of several business taxes, including the state

¹⁰ R.C. 3333.27(G).

¹¹ R.C. 3333.27(I).

¹² R.C. 3333.27(B), second paragraph, and Sections 3, 4, and 5.

income tax, commercial activity tax, financial institutions tax, insurance premiums tax, and petroleum activities tax.¹³

Qualifications

To qualify a business for the credit, an employee must meet the following qualifications:

1. Be an Ohio resident for state income tax purposes;
2. Be a U.S. citizen, a U.S. permanent resident, or an alien authorized to work by the U.S. Department of Homeland Security;
3. Hold an associate's degree or a bachelor's degree awarded on or after July 1, 2020, by an institution of higher education, a private nonprofit university or college, or a private for-profit career college located in Ohio.¹⁴

Application

A business that employs an eligible employee in a STEM-related field from whose wages the business is required to withhold state income tax may apply to the Chancellor for a tax credit based on payments the business directly makes to a lender on the outstanding balance of the eligible employee's STEM student loan. The application may be submitted on the basis of all such payments made in the first or last six months of the year, referred to in the bill as "application periods."

The application must be submitted within 15 days after the end of the application period in which that payment is made and must detail the employee's and the loan payment's eligibility for the credit. The Chancellor will issue a certificate to any approved applicant authorizing the applicant to claim a tax credit, as described below.¹⁵ The credit must be claimed for the year or tax period in which the certificate is issued and against the tax listed on the certificate.¹⁶

The taxpayer must retain a copy of the certificate for at least four years following its issuance, and the Tax Commissioner may require taxpayers to maintain and provide records verifying their credit eligibility.¹⁷

Credit amounts and limits

The credit equals 50% of the amount of STEM student loan payments made by the business on behalf of its eligible employees during the application period.¹⁸ The total credits awarded to a business for loan payments made in one calendar year on behalf of the same

¹³ R.C. 3333.271, 5725.98, 5726.98, 5729.98, 5747.98, and 5751.98.

¹⁴ R.C. 3333.271(A)(1).

¹⁵ R.C. 3333.271(B) and (C).

¹⁶ R.C. 3333.271(E).

¹⁷ R.C. 3333.271(G).

¹⁸ R.C. 3333.271(D)(1).

eligible employee cannot exceed \$2,000 if the employee’s STEM student loan was used to acquire an associate’s degree or \$6,000 if the loan was used to acquire a bachelor’s degree.¹⁹ The credit is refundable, so if it exceeds the business’s tax liability for that period, any excess is refunded to the business.²⁰

The Chancellor may not award more than \$15 million in total tax credits.²¹ No credits may be awarded for loan repayments made after 2025.²²

HISTORY

| Action | Date |
|------------|----------|
| Introduced | 02-21-20 |

H0523-I-133/ks

¹⁹ R.C. 3333.271(D)(2).

²⁰ R.C. 3333.271(E).

²¹ R.C. 3333.271(D)(3)

²² R.C. 3333.271(C)(2).