



Representative John M. Rogers
60th House District
Representative Gary Scherer
92nd House District

Chairman Schaffer and fellow members of the House Ways and Means Committee, thank you for allowing Rep. Scherer and I the opportunity to provide sponsor testimony on House Bill 186, the Blair Deduction.

This legislation, conceptually, was originally introduced in the 130th General Assembly as HB 246. I was honored to have the late Representative Terry Blair, join with me in introducing this legislation. When reintroduced in the 131st General Assembly as HB281, it was afforded two separate hearings. Once again, it is being offered for your consideration.

As many of you are aware, countless Ohioans' have spent many hard earned dollars and/or accumulated significant personal debt while pursuing an education beyond high school in an effort to obtain certifications or post-secondary degrees. Every individual who today chooses to invest in themselves, to increase their knowledge, skills and marketability so as to compete in today's job market must weigh the benefits of furthering their education against the ever increasing burden needed to gain that education.

Indeed, the state of Ohio is classified as a high debt state with regard to outstanding student loans with the average amount of debt facing an Ohio graduate in excess of \$28K. Graduates seeking employment often find themselves at the lowest level of their earning potential, regardless of career path, while at the same time having to start repaying their loans.

To support established business, to attract new businesses and to help with the growth of our state's economy, it is essential that we keep our educated and attract other talented individuals here to Ohio.

THIS LEGISLATION IS AIMED AT ACCOMPLISHING THE FOLLOWING:

- Offer an incentive by rewarding students who complete some level of post-secondary education.
- Offer some relief to those who have invested in themselves and completed post-secondary training. Specifically, it would apply to those students who graduate from a technical program, or earn an associates, baccalaureate or more advanced degree.
- Provide an additional incentive for recent graduates to either to relocate here or to remain here in Ohio.
- Assist us in our our efforts to provide a skilled and educated workforce to those companies located in or looking to do business here in Ohio.

QUALIFIED GRADUATE ADJUSTED GROSS INCOME ADJUSTMENT

The premise of this legislation is to provide an adjustment much like that currently available on Schedule A, Line 41(a) of the Ohio IT 1040 Individual Income Tax Form. It targets Qualified Higher Education Expenses as it applies to tuition, fees, books, supplies and equipment, room and board, and special needs beneficiaries, and would become available in the year following graduation.

Procedurally, a worksheet would be completed on which all qualified education expenses would be listed. The sum of these expenses would be reduced by amounts received in the form of grants, scholarships, 529 or similar payments, netting the actual out of pocket expenses incurred by students. This net amount would then be the basis of a annual reduction to the individuals' Adjusted Gross Income or AGI, limited to the annual contribution limit as prescribed in R.C. 5747.70 until the initial amount has been depleted.

To be eligible for this adjustment, the graduate would be required to provide, proof of completion or graduation, with the adjustment becoming available in the calendar year following the year of completion or graduation, (e.g.: a graduate in the class of 2017 would be able to adjusting their taxable income in the 2018 calendar year).

As for students, who having begun to take advantage of the deduction but then choosing to go back to school to further their education, they would have the option to

postpone any continued application of this deduction, until completing their course of study.

As described by the Legislative Service Commission, under continuing law, two tax-preferred college savings programs are authorized allowing individuals to purchase tuition units or make contributions to an investment account to pay for future college expenses. Both plans are designed to receive favorable tax treatment under Internal Revenue Code § 529. Earnings in 529 plans are not subject to federal income tax and, as long as they are used for qualified higher education expenses, withdrawals from 529 plans are exempt from both federal and state income taxation.

Furthermore, continuing law also allows a state income tax deduction for purchases of tuition credits and contributions to a 529 college savings plan to the extent such purchases or contributions are included in the contributor's federal adjusted gross income. The deduction is limited to \$2,000 per beneficiary per year for the taxpayer or the taxpayer and the taxpayer's spouse, regardless of whether the taxpayer and spouse file separate returns or a joint return.

Finally under current law, a taxpayer is able to carry forward any excess deduction amounts to future years until the amount of the purchases and contributions has been fully deducted.

The benefits of a 529 program are that it provides the ability to invest monies for someone's future education costs, obtain a market rate of return on that investment, and use those funds when the need arises to pay for Qualified Higher Education Expenses, without having to pay taxes on any of the capital gains or interest earned. Ohio provides investors an additional advantage by allowing a \$2,000 per year, per student, deduction, until that investment amount has been amortized.

Whereas the current deduction is allowed up front, at the time of the investment, the deduction we are proposing would be available to the student after he or she successfully completes their education and would be based upon their actual out of pocket investment in themselves.

Not all graduates have families who are able to set aside funds for future educational needs. And, those who are financially able - may not be able to set aside the total needed.

This legislation would provide a similar benefit after the fact to those who invest in themselves as opposed to what is currently available before the fact.

In summary, the goal of this legislation is to give due recognition to our graduates and their value to Ohio by offering support and encouraging them to live and work here.

We thank you for your consideration and would respectfully ask you for your support of this legislation. We would welcome any questions you might have.

Thank you.